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INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

**Relating to United States Government
Guaranteed Ship Financing Bonds**

between

**AMERICAN COMMERCIAL LINES, INC.,
*Shipowner***

and

THE UNITED STATES OF AMERICA

Dated July 31, 1980

SECURITY AGREEMENT
between
AMERICAN COMMERCIAL LINES, INC.
Shipowner,
and
THE UNITED STATES OF AMERICA

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SECURITY AGREEMENT

Special Provisions

This SECURITY AGREEMENT dated July 31, 1980, is entered into between (i) AMERICAN COMMERCIAL LINES, INC., a Delaware corporation (said corporation, and any successor or assign hereunder called the "Shipowner"), and (ii) the UNITED STATES OF AMERICA (the "United States"), represented by the SECRETARY OF COMMERCE, acting by and through the ASSISTANT SECRETARY OF COMMERCE FOR MARITIME AFFAIRS (the "Secretary"), pursuant to Title XI of the Merchant Marine Act, 1936, as amended

Recitals:

A The Shipowner now owns the Vessels described in Schedules Y and Z hereto and also annexed to the Guarantee Commitment between the Secretary and the Shipowner (the "Vessels" and the term "Vessel," where appropriate, shall apply with equal force to each of the Vessels), the total number of Barges and Towboats owned by the Shipowner and financed or refinanced hereunder is expected to be 99 Barges and 4 Towboats;

B. To effect the refinancing of the existing obligations incurred in financing the cost of Construction of the Schedule Y Vessels, the Shipowner has borrowed an aggregate principal amount approximately equal to but in no event in excess of the sum of 75% of the aggregate Actual Cost and Depreciated Actual Cost, as appropriate, of the Towboats and 87½% of the aggregate Actual Cost and Depreciated Actual Cost, as appropriate, of the Barges;

C To effect the financing under Section 1104(a)(1) of the Act of the cost of Construction of the Vessels described in Schedule Z, the Shipowner has borrowed an aggregate principal amount approximately equal to but in no event in excess of (i) 87½% of the aggregate Depreciated Actual Cost of the Barges described in Schedule Z hereto and (ii) 75% of the aggregate Depreciated Actual Cost of the Towboats described in Schedule Z hereto;

D. To accomplish such refinancing and financing the Shipowner has duly created and authorized the issuance of bonds designated "United States Government Guaranteed Ship Financing Bonds—1980 Issue" (the "Obligations"), in the aggregate principal amount of \$24,000,000, which when duly executed and delivered pursuant to the Indenture between it and the Indenture Trustee, will constitute the legal, valid and binding obligations of the Shipowner;

E The Shipowner has accepted the Guarantee Commitment of the Secretary under the provisions of Title XI which provides, among other things, that the Secretary, subject to the terms and conditions therein set forth, will authorize a Guarantee to be endorsed upon each of the Obligations; pursuant to the Guarantee Commitment of the Secretary and under the terms of the Authorization Agreement, the Secretary has, as of the date hereof, authorized the Indenture Trustee to endorse and execute on each of the Obligations, by means of the facsimile signature of the Assistant Secretary of Commerce for Maritime Affairs or the Acting Assistant Secretary of Commerce for Maritime Affairs and the facsimile seal of the Maritime Administration and to authenticate and deliver each of the Obligations and the Guarantees thereon; and

F The Shipowner has agreed, as further security to the United States, as provided in this Security Agreement, to execute and deliver the Mortgage, to be created under and pursuant to the Ship Mortgage Act, 1920, as amended, to the Secretary, as Mortgagee, on the Vessels and to assign to the Secretary certain other rights and assets, existing and anticipated

NOW, THEREFORE, in consideration of the premises, of the mutual covenants herein contained, and of other good and valuable consideration, the receipt and adequacy of which the parties hereby acknowledge and in order to provide security to the Secretary for the Secretary's Note

GRANTING CLAUSE

In order to create a present security interest in the Secretary, the Shipowner does hereby grant, sell convey, assign, transfer, mortgage, pledge, set over and confirm unto the Secretary continuing security interests in all of its right, title and interest in and to all the following.

I The Construction Contract, insofar as it relates to the Vessels, this assignment of the Construction Contract being subject to the reservation by the Shipowner of the rights referred to below, together with (A) all other contracts, whether now in existence or hereafter entered into, relating to the Construction of the Vessels, (B) all property, in which the Shipowner has or will have an interest pursuant to the Construction Contract or said other contracts (the "Property") and (C) the Consent of Shipbuilder. Irrespective of the foregoing, the Shipowner reserves unto itself all rights against the Shipbuilder relating to patents, taxes and indemnities, if any, of the Construction Contract. True copies of the Construction Contract and the Consent of Shipbuilder have been delivered to the Secretary, and are incorporated herein by reference. A true copy of the Construction Contract is attached hereto as Exhibit 4A and is incorporated herein by reference. Said right, title and interest in and to the Construction Contract and the Consent of Shipbuilder, and the other contracts conveyed to the Secretary by this paragraph I of the Granting Clause are hereinafter referred to collectively, as the "*Rights Under the Construction and Related Contracts*"

II The Shipowner's right under the Construction Contract to receive all moneys which from time to time become due to the Shipowner in respect of the Construction of the Vessels (including moneys paid to the Depository in respect thereof pursuant to this Security Agreement but not including funds held by the Indenture Trustee for the payment of the Obligations which have been Retired or Paid or for the payment of interest which has become due or payable on the Obligations) Said right, title and interest in and to the moneys, cash, bonds, claims, and securities, conveyed by this paragraph II of the Granting Clause, are herein referred to collectively as the "*Moneys Due in Respect of the Construction of the Vessels*" Moneys Due in Respect of the Construction of the Vessels will be paid directly to the Secretary or his designee for application in accordance with this Security Agreement, the Indenture and the Depository Agreement

III The Charter and all moneys now or hereafter due and to become due to the Shipowner thereunder, except the fees and expenses (including without limitation counsel fees) of the Indenture Trustee acting under the Indenture; *provided, however*, for so long as no Payment Default or Security Default shall have occurred and be continuing, the Secretary hereby consents to the payment to the Shipowner of all moneys now or hereafter due, or to become due, under the Charter; *provided, further*, that if a Payment Default or Security Default shall have occurred and be continuing, the Charterer after notice from the Secretary shall pay all such moneys to the Secretary or his designee during the continuance of such Default for application in accordance with provisions of the Consent to Assignment of Charter. A true copy of the Charter together with the Consent to Assignment is attached hereto as Exhibit 5.

The Secretary has as further security, certain right, title and interest in and to the following:

IV The Mortgage executed and delivered by the Shipowner to the Secretary, as Mortgagee, dated the date hereof. A true copy of the form of the Mortgage is annexed hereto as Exhibit 3.

V All of the Shipowner's rights to amounts, if any, whether cash or securities, held in the Title XI Reserve Fund, created under the Title XI Reserve Fund and Financial Agreement as amended by Amendment No. 2 thereto

VI. The Depository Agreement.

The right, title and interest of the Secretary mentioned in paragraphs I through VI are hereinafter collectively called the "*Security*".

Irrespective of the foregoing, (1) the Shipowner shall remain liable to perform its obligations under the Construction Contract and the above-mentioned other contracts, (2) the Secretary shall not, by virtue of this Security Agreement, have any obligations under the Construction Contract or other contracts or be required to make any payment owing by the Shipowner thereunder and (3) if there is no existing Default, the Shipowner shall (subject to the rights of the Secretary under the above-mentioned Consent of Shipbuilder in the event written notice shall have been given to the Shipbuilder during the continuance of a Default) be entitled to exercise all of its rights under the Construction Contract and the said other contracts and to receive all of the benefits accruing to it thereunder as if the foregoing were not applicable, except the right to receive Moneys Due in Respect of the Construction of the Vessels

The Shipowner hereby agrees with the Secretary that the Security is to be held by the Secretary subject to the further agreements and conditions hereinafter set forth.

ARTICLE FIRST

ACTUAL COST; ESCROW FUND

(1) Pursuant to Sections 1101(f), 1101(g) and 1104(b)(2) of Title XI, the Secretary has determined the Actual Cost and the Depreciated Actual Cost, as appropriate, of each Vessel as of the date hereof as set forth in Table A, annexed hereto and by this reference made a part hereof, limited in all instances to the amounts paid or obligated to be paid, by or for the account of the Shipowner for the Construction of each such Vessel or a total of \$30,414,948.97 collectively.

(2) Concurrently with the execution and delivery of this Agreement, the Shipowner has caused a deposit to be made in cash with the Secretary in escrow of the following:

(i) \$ 0 which is the excess (calculated for each Vessel separately) of \$24,000,000, being the principal amount of the Obligations, issued and sold on the date hereof, over \$25,401,298.34, being a sum equal to $87\frac{1}{2}\%$ in the case of the Barges (and 75% in the case of the Towboats) of the aggregate amount (as specified in Table A hereto) which the Secretary has determined has been, as of the date hereof, paid by or for the account of the Shipowner for the Construction of the Vessels.

(ii) \$ 0, which is the interest for a period of six months (computed at the effective rate borne by the Obligations) on the amount specified in paragraph (i) above.

At the time of any additional sale of Obligations, the Shipowner shall deposit in the Escrow Fund an amount determined by the Secretary in accordance with the formula set forth in Article V of Exhibit 1 to the Security Agreement. Said amount so deposited and any amount hereafter deposited with respect to Vessels, together with insurance moneys, if any, to be deposited in escrow pursuant to Section 2.07(c)(2) of Exhibit 1 hereto, are herein called the "Escrow Fund". Pursuant to Section 1108 of the Act, the Secretary has accepted the aforesaid deposit, and the same and all amounts hereafter deposited in the Escrow Fund with respect to the Obligations will be administered in accordance with the provisions of Article V of Exhibit 1 hereto.

ARTICLE SECOND

THE SECRETARY'S NOTE

On the date hereof, the Shipowner has duly executed and delivered, and the Secretary has accepted, a promissory note in an amount equal to the Outstanding Obligations of \$24,000,000 (said promissory note, together with any other promissory note issued pursuant to Section 3.06 of Exhibit 1 hereto, is hereinafter called, collectively or individually, the "*Secretary's Note*"). A true copy of the form of Secretary's Note is annexed hereto as Exhibit 2.

ARTICLE THIRD

INCORPORATION OF EXHIBIT 1 BY REFERENCE

This Security Agreement shall consist of two parts the Special Provisions and the General Provisions attached hereto as Exhibit 1, made a part of the Security Agreement and are incorporated herein by reference

ARTICLE FOURTH

DEFINITIONS

For all purposes of this Security Agreement, unless otherwise expressly provided or unless the context otherwise requires:

- (1) All references herein to Articles, Sections or other subdivisions, unless otherwise specified, refer to the corresponding Articles, Sections and other subdivisions of this Security Agreement;
- (2) The terms "hereof", "herein", "hereby", "hereto", "hereunder", and "herewith" refer to this Security Agreement; and
- (3) The terms defined in Schedule X to this Security Agreement or by reference therein to other instruments and used herein shall have the respective meanings stated in said Schedule X or such other instruments.

ARTICLE FIFTH

ADDITIONS, DELETIONS AND AMENDMENTS TO EXHIBIT 1

The following additions, deletions and amendments are hereby made to Exhibit 1 hereto:

- (a) *Concerning Section 2 03.* The defined term "the Title XI Reserve Fund and Financial Agreement" is hereby deleted from Section 2 03 of Exhibit 1
- (b) *Concerning Section 2 04.*

The provisions of Section 2 04 of Exhibit 1 hereto are amended:

- (1) by deleting that portion of the first sentence of paragraph (a) thereof through the words ". . . and not released . . ." and substituting therefor the following:

"(a) *Title to and Possession of the Vessels.* On the date of this Security Agreement the Shipowner lawfully owns the Vessels delivered on or before the date hereof free from any claim, lien, charge, mortgage or other encumbrance of any character whatsoever (subject to (i) the Charter, (ii) any charter, pledge or assignment, subordinated to the interest of the Secretary hereunder, permitted under the Special Provisions hereof, and (iii) the rights of the Secretary hereunder and under the Mortgage) and shall, for the Secretary's benefit, warrant and defend the title to, and possession of, each Vessel and every part thereof against the claims and demands of all Persons whomsoever, *provided* that (except during such period that any Vessel shall have been levied upon and taken into custody or detained in any proceeding in any court or tribunal or by any government or other authority [except in connection with takings or requisitions of the title or use of such Vessel by any government or governmental body] and not released) "

- (2) by fixing the amount of liens permitted under Section 2.04(a)(1)(E) for each Vessel as, in the case of Towboats, \$100,000 and, in the case of Barges, \$10,000.

- (3) *Concerning Sale, Transfer or Charter of the Vessels.* Section 2 04(b) is amended by deleting in its entirety said Section and substituting therefor the following:

"(b) *Sale, Transfer or Charter of the Vessels or Sale of Fewer than All of the Vessels.* The Shipowner shall not, without the prior written consent of the Secretary, sell, mortgage,

demise charter or transfer the Vessels, or charter the Vessels to an Affiliate, which Affiliate shall be a 'citizen of the United States' within the meaning of the Shipping Act, 1916, as amended, qualified to engage in the coastwise trade, and shall have submitted to the Secretary affidavits as to such citizenship in the form prescribed by 46 CFR §355, under any form of charter other than in the form attached as Exhibit 5 to the Security Agreement except the foregoing shall not apply to (i) takings or requisitions of the title or use of the Vessel by any government or governmental body, (ii) mergers or consolidations permitted by Article IX, (iii) demise charters of the Vessels approved in writing by the Secretary, or (iv) sales of any of the Vessels provided that at the time of any such sale (w) the Shipowner meets the financial test set forth in Article Third, Paragraph 5 of the Title XI Reserve Fund and Financial Agreement, (x) no Payment Default or Security Default shall have occurred and be continuing, (y) such sale shall be for an amount which is not less than the net book value of such Vessel on the date of such sale and will not result in a sale, transfer or disposition of greater than 10% of the Shipowner's total assets as reflected in the most recent audited consolidated balance sheet furnished to the Secretary immediately prior to such sale and (z) the Proportionate Outstanding Obligations relating to such Vessel are redeemed to the extent required as hereinafter provided.

"In the event of a sale of fewer than all of the Vessels, the Shipowner shall simultaneously pay over to the Indenture Trustee funds in an amount sufficient to redeem a principal amount of the Proportionate Outstanding Obligations rounded to the next higher integral multiple of \$1,000 and shall cause the redemption of such principal amount of Obligations, together with any premium or accrued interest, on such Obligations so redeemed as provided for in subsection (c) of Article Third of the Indenture; *provided, however*, the Shipowner shall only be required to so redeem Obligations to the extent that such sale would result in a mandatory redemption of Obligations by reason of Section 1104(b)(2) of the Act."

(4) *Concerning Section 204(h)* Section 204(h) of Exhibit 1 hereto is hereby amended to read in its entirety as follows:

"The Shipowner shall at all times (unless otherwise required by any military authority of the United States and except during such period as (1) the use of, or title to, a Vessel has been taken or requisitioned by any government or governmental body, (2) there has been an actual or constructive total loss or an agreed or compromised total loss of a Vessel, or (3) there has been any other loss with respect to a Vessel and the Shipowner shall not have had a reasonable time to repair the same) (A) at its own cost and expense maintain and preserve each of the Vessels, so far as may be practicable, in at least as good order and condition, ordinary wear and tear excepted, as at the Closing Date, and (B) shall perform or cause to be performed (x) at least once each five (5) years with respect to the Barges (y) once every year with respect to each Towboat and (z) at any other time required by the Secretary, such surveys and inspections or take such other actions as are necessary to prove or establish such maintenance of each of the Vessels to the satisfaction of the Secretary; *provided, however*, that the Shipowner shall be entitled to a 30 day grace period for reasonable cause on the scheduling of surveys for the Towboats upon notice to the Secretary, which notice shall contain the reason for the postponement of such survey and the date of the re-scheduled survey. Each such survey and inspection shall be performed by a competent and recognized independent marine surveyor. The Shipowner shall furnish two copies of the report of such independent marine surveyor to the Secretary within 15 days of such survey and inspection to which it relates. In addition, the Shipowner shall furnish to the Secretary, annually, an Officer's Certificate stating the condition of each of the Vessels."

(5) *Concerning Section 204(i)* Section 204(i) of Exhibit 1 is hereby amended to read as follows:

"The Shipowner shall not, without the prior written consent of the Secretary, make, or permit to be made, any material change in a Vessel which would alter the purpose for which such

Vessel was intended at the date hereof, *provided, however*, the foregoing shall not prevent the Shipowner's removal and disposal, without replacement, of the hatch cover for any Barge which is no longer used or useful in the operation of such Barge, *provided, further*, that if the aggregate Depreciated Actual Cost of hatch covers so removed and disposed of shall exceed \$100,000 then the Secretary may require a redemption of Proportionate Outstanding Obligations to the extent that the then Outstanding Obligations exceed the aggregate of 87½% of the aggregate Depreciated Actual Cost of the Barges then subject to the Mortgage and 75% of the aggregate Depreciated Actual Cost of the Towboats then subject to the Mortgage and such redemption shall be treated as a redemption of Sinking Fund Bonds at a premium (if any shall then be due) pursuant to Article Third of the Indenture."

(c) *Concerning Execution and Delivery of the Mortgage*

The provisions of Section 2.06 of Exhibit 1 hereto are amended by deleting Section 2.06 and substituting therefor the following:

"On the Closing Date the Shipowner shall (i) execute and deliver to the Secretary the Mortgage in the form required by the Granting Clause of the Special Provisions hereof, (ii) record or cause to be recorded the Mortgage in the office of the United States Coast Guard, or its successor, at the home port of any Vessel covered by such Mortgage and endorse the same upon such Vessel's document and (iii) deliver to the Secretary an opinion of its counsel in substantially the form annexed hereto as Exhibit A to the form of the Mortgage"

(d) *Concerning Insurance* (1) Section 2.07(a) of Exhibit 1 hereto is deleted.

(2) Section 2.07(b) of Exhibit 1 hereto is amended by deleting the words "Delivery Date of the Vessel" and "Delivery Date", respectively, and substituting in lieu thereof the words "the date on which a Vessel first becomes subject to the Mortgage", and in connection with the last paragraph of Section 2.07(b) of Exhibit 1 hereto, the amount of self-insurance permitted thereunder shall be \$2,000,000 per year on a cumulative basis (after application of the deductibles herein referred to) for losses under the hull policy during such year and a \$20,000 deductible per Barge for any loss resulting from any one accident or occurrence and a \$30,000 deductible per Towboat for any loss resulting from any one accident or occurrence

(3) In connection with clause (ii) of Section 2.07(c) of Exhibit 1 hereto, payment of losses by marine underwriters up to the amount of \$100,000 per Vessel per accident, occurrence or event may be made directly to the Shipowner

(4) Section 2.07(c)(2) of Exhibit 1 hereto is hereby deleted.

(5) Section 2.07(c)(3) of Exhibit 1 hereto is amended by deleting from the first sentence thereof the words "whether prior to or after the Delivery Date and the insurance moneys have not been applied as provided in subparagraph (2) of this paragraph (c)" and the words "or held by the Secretary pursuant to subparagraph (2) above", and by deleting the proviso of Section 2.07(c)(3)(C) and substituting therefor the following.

"; *provided* that, irrespective of the foregoing, the Shipowner shall not be required to so deposit with the Secretary insurance moneys in an amount which, together with funds otherwise available for the redemption of Obligations, is in excess of that required (i) for the redemption, pursuant to Section 3.05 of Exhibit 1 to the Indenture of the Proportionate Outstanding Obligations rounded to the next highest integral multiple of \$1,000 and (ii) for the payment to the Secretary a proportionate amount (similarly determined) of all other sums that may be secured by the Security Agreement and the Mortgage . . ."

(6) Section 2.07(e) of Exhibit 1 hereto is amended by (A) deleting the words "Delivery Date of the Vessel" in the two instances in which it appears and substituting in lieu thereof the words, "the date on which a Vessel first becomes subject to the Mortgage" and (B) inserting the following

phrase after the phrase "policies of insurance" in line 4 thereof, "in the form of a protection and indemnity policy or equivalent insurance in accordance with the usual practice in the trade", and in connection with the proviso clause of Section 207(e) of Exhibit 1 hereto, the amount of self-insurance permitted thereunder shall be \$500,000 per risk covered with respect to each accident, occurrence or event and \$500,000 with respect to each cargo or property carried, and the minimum amount of such insurance, when combined with excess, shall be \$15,000,000 in the aggregate for any liability resulting from any one accident, event or occurrence

(7) Section 207(g)(2) of Exhibit 1 hereto is amended by deleting the proviso respecting authority to enter into an agreement or compromise of the total loss of the Vessel and substituting therefor the following:

"*provided that, the Secretary shall not enter into such an agreement or compromise without the prior written consent of the Shipowner unless the aggregate amount payable to the Shipowner and/or the Secretary under such agreement or compromise, together with funds held by the Indenture Trustee and the Secretary available for the redemption of Obligations, is sufficient (1) to redeem or pay, pursuant to Section 2.09 of this Agreement, the Proportionate Outstanding Obligations as rounded to the next highest integral multiple of \$1,000.*"

(8) Pursuant to Section 207(1) of Exhibit 1 hereto the Secretary hereby agrees to accept duplicate copies of all policies of insurance required under said Section 207, *provided that the Shipowner agrees to deliver the originals of such policies at such time as the Secretary may request with the agreement that such policies will be promptly returned to the Shipowner after the purpose of such request has been fulfilled.*

(9) Section 207(m) of Exhibit 1 hereto is hereby amended by inserting the word "reasonably" after the word "may" in the second line thereof.

(e) *Concerning Section 2.09* Section 2.09 of Exhibit 1 hereto is hereby amended by deleting said Section 2.09 and substituting the following:

"*SECTION 2.09. Requisition of Title, Seizure, Forfeiture or Total Loss of the Vessel.* In the event of (a) requisition of title to a Vessel, (b) seizure or forfeiture of a Vessel or (c) the circumstances referred to in Section 207(c)(3) if there shall have been an accident, occurrence or event resulting in an actual or constructive total loss or an agreed or compromised total loss of a Vessel:

"(1) The Shipowner shall promptly give written notice thereof to the Secretary;

"(2) The Shipowner shall (subject to the consent or approval of the Secretary and/or the Maritime Administration if and to the extent they have jurisdiction) promptly pay all amounts it receives by reason of such requisition, seizure, forfeiture or total loss to the Secretary; and

"(3) After all amounts which are reasonably expected to be received by the Secretary in connection with any such requisition, seizure, forfeiture or total loss (whether from the Shipowner pursuant to the foregoing subparagraph (2), from a government or governmental body, or otherwise) shall have been received by the Secretary (A) if there is no existing Default, (i) the Secretary and the Shipowner shall give notice to the Indenture Trustee for the redemption of the Proportionate Outstanding Obligations pursuant to Section 3.05 of Exhibit 1 to the Indenture; *provided, however,* that such redemption shall be limited to that amount necessary to meet the requirements of Section 1104 (b) (2) of the Act, (in arriving at the Proportionate Outstanding Obligations to be redeemed pursuant to Section 3.05 of Exhibit 1 to the Indenture, the Actual Cost or Depreciated Actual Cost, as appropriate, of any Vessel or Vessels shall be determined as of the date of the loss, requisition of title, seizure or forfeiture by reason of which such redemption is required to be made), (ii) such amount, if any, held by the Secretary shall be paid to the Indenture Trustee not earlier than 10 days prior to, nor later than the opening of business on, the

Redemption Date required by Section 3 05 of Exhibit 1 to the Indenture, and (iii) the balance, if any, shall be applied by the Secretary first for the payment of all other sums that may be secured hereby, and second, the remainder shall be paid over to the Shipowner, or (B) if there is an existing Default and the Guarantees shall not have terminated pursuant to Section 3 05, such amounts shall be held until the same may be applied or paid under clause (A), (C), or (D) of this subparagraph (3), whichever is applicable, or (C) if the Guarantees shall have terminated pursuant to Section 3 05(3), be applied as provided in Section 6 05 (D) if the Guarantees shall have terminated pursuant to Section 3 05(2) or (4), such amounts shall be paid by the Secretary to the Shipowner;

provided that, the Shipowner shall not be required to pay to the Secretary pursuant to the foregoing subparagraph (2) an amount which, together with funds held by the Secretary and the Indenture Trustee and available for the redemption of Obligations, is in excess of that required for the redemption of (x) the Proportionate Outstanding Obligations pursuant to Section 3 05 of Exhibit 1 to the Indenture, and (y) for the payment to the Secretary of all other sums that may be secured hereunder as is equal to the product obtained by multiplying such sums by a fraction, the numerator of which shall be the Actual Cost or Depreciated Actual Cost, as appropriate, of the Vessel or Vessels affected by such event and the denominator of which shall be the aggregate of the Actual Cost and Depreciated Actual Cost of all Vessels subject to the security interest of the Secretary under this Security Agreement, including the Vessel or Vessels affected by such event."

(f) *Concerning Financial Statements.* The Secretary consents to the use of consolidated financial statements in the form regularly used by the Shipowner and its subsidiaries for purposes of the financial information required by Section 2.10(a) of Exhibit 1 hereto.

(g) *Concerning the Notice of Mortgage.* In connection with Section 2 12 of Exhibit 1 hereto, the notice of mortgage specified therein to be carried on the Vessels shall (subject to the provisions of said Section 2 12) read as follows:

NOTICE OF MORTGAGE

"This Vessel is owned by AMERICAN COMMERCIAL LINES, INC., and is covered by a First Preferred Fleet Mortgage in favor of the United States of America, under authority of the Ship Mortgage Act, 1920, as amended and is under bareboat charter to Commercial Barge Line Company Under the terms of said Mortgage, neither AMERICAN COMMERCIAL LINES, INC., any charterer, the Master of this Vessel nor any other person has any right, power or authority to create, incur or permit to be placed or imposed upon this Vessel any lien whatsoever other than liens for wages of a stevedore when employed directly by AMERICAN COMMERCIAL LINES, INC., or the operator, Master, ship's husband, or agent of this Vessel, for crew's wages in respect of this Vessel (including wages of a Master to the extent provided by Public Law 90-293, approved April 25, 1968), for general average, or for salvage (including contract salvage), or, to the extent they are liens subordinate to the lien of said Mortgage, other liens incident to current operations or for repairs, and other mortgages permitted by said Mortgage."

The Notice of Mortgage specified in Section 2.12 of Exhibit 1 hereto shall in the case of Barges be a plate made of metal or other durable material affixed to such Barge and shall cover a space not less than six inches wide by nine inches high

(h) *Concerning Section 3 02(b).* Section 3 02(b) of Exhibit 1 hereto is hereby amended by deleting said section in its entirety and substituting therefor the following.

"The Guarantee Fee shall be based on a ratio of the Shipowner's net worth (the 'Net Worth') to the Shipowner's long term debt (the 'Long Term Debt'), as hereinafter defined, both on a consolidated basis and based on information in the consolidated financial statements in the form regularly used by the Shipowner and its subsidiaries. The Guarantee Fee shall be

subject to annual redetermination by the Secretary prior to the annual period covered by said Guarantee Fee on the basis of the ratio of Net Worth to Long Term Debt, as hereinafter stated, and the Secretary, in the event of any change in the rate of the Guarantee Fee, shall promptly give written notice to the Shipowner specifying the Guarantee Fee for such annual period. For the purpose of determining the Guarantee Fee, the term 'Net Worth' shall mean as of any date, the total of (1) paid-in capital stock, paid-in surplus, earned surplus and appropriated surplus, and all other amounts that would be included in net worth in accordance with generally accepted accounting principles, (2) deferred investment tax credit, and (3) Subordinated Debt, and the term 'Long Term Debt' shall mean, as of any date, the total of (i) notes, bonds, debentures, equipment obligations and other evidences of indebtedness that would be included in Long Term Debt in accordance with generally accepted accounting principles, and (ii) Deferred Lease Hire, but exclusive of deferred income and Subordinated Debt."

(i) *Concerning Article IV* Sections 4.01, 4.02, 4.03, 4.04 and 4.05 are inapplicable and are deleted.

(j) *Concerning Section 5.03* Section 5.03(1)(C) of Exhibit 1 is hereby amended by inserting the words "or the Depreciated Actual Cost, as appropriate," after the words "Actual Cost" in the second line thereof

(k) *Concerning Section 5.06* The first sentence of Section 5.06 of Exhibit 1 hereto is hereby restated as follows:

"The Escrow Fund will terminate 90 days after the Closing Date (herein called the 'Termination Date of the Escrow Fund')."

(l) *Concerning Section 6.01.* Section 6.01(b) of Exhibit 1 hereto is hereby amended by (i) deleting paragraph "8" thereof and (ii) renumbering paragraph "9" as paragraph "8".

(m) *Concerning Section 9.01.* Section 9.01(a) of Exhibit 1 hereto is hereby amended by adding the following clause to the end of such section:

"or, with respect to any such consolidation or merger, the Shipowner shall be the surviving corporation in such merger or consolidation"

(n) *Concerning Notices.* Subject to change as provided in Section 10.01 of Exhibit 1 hereto, any notice, request, demand, direction, consent, waiver or approval to be given to a party hereto, or other communications, shall be deemed to have been sufficiently given or made when addressed to:

The Secretary at:

SECRETARY OF COMMERCE
c/o Assistant Secretary of Commerce for Maritime Affairs
Maritime Administration
Department of Commerce
Washington, D. C. 20230

The Indenture Trustee at:

THE CHASE MANHATTAN BANK
(National Association),
One New York Plaza
New York, New York 10081
Attention: Corporate Trust Administration Division

The Shipowner at:

AMERICAN COMMERCIAL LINES, INC.
3800 Frederica Street
Owensboro, Kentucky 42301
Attention: Secretary
with a copy to
3401 Allen Parkway
Houston, Texas 77019

(o) *Concerning the Special Provisions* In the event of any conflict in, or inconsistency between, the Special Provisions of this Security Agreement and Exhibit 1 hereto, said Special Provisions shall control.

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed and delivered the day and year first above written.

AMERICAN COMMERCIAL LINES, INC.
As Shipowner

By *J. R. [Signature]*.....

[SEAL]

Attest:

[Signature].....
Secretary

UNITED STATES OF AMERICA
SECRETARY OF COMMERCE
By ASSISTANT SECRETARY OF COMMERCE
FOR MARITIME AFFAIRS

By *[Signature]*.....
Secretary
Maritime Administration

[SEAL]

Attest:

George P. [Signature].....
Assistant Secretary
Maritime Administration

SCHEDULE X

"Act" means the Merchant Marine Act of 1936, as amended and in effect on January 17, 1980

"Act of Obligees" means any request, demand, authorization, direction, notice, consent, waiver or other action to be given or taken by Obligees and embodied in one or more documents of the type, and executed in the manner, required by an Indenture

"Actual Cost" means the actual cost of a Vessel as determined and redetermined by the Secretary pursuant to the Security Agreement and Sections 1101(f) and 1104(b)(2) of the Act

"Actual Knowledge" or "actual knowledge" means actual knowledge of a Responsible Officer

"Affiliate" or **"Affiliated"** means any Person directly or indirectly controlling, controlled by or under common control with another Person.

"Amendment No 2 to and Restatement of Title XI Reserve Fund and Financial Agreement" means that Amendment No 2 to and Restatement of Title XI Reserve Fund and Financial Agreement, Contract No. MA-8428, dated July 31, 1980 between the Charterer and the Secretary.

"Authorization Agreement" means the Authorization Agreement, Contract No MA-9392, to be dated July 31, 1980, between the Secretary and the Indenture Trustee, whereby the Secretary authorizes the Guarantee of the United States to be endorsed on each of the Obligations, as originally executed, or as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"Authorized Newspapers" means "The Wall Street Journal" (all editions), the "Journal of Commerce" and a newspaper of general circulation printed in the English language, customarily published on each Business Day, whether or not published on Saturdays, Sundays or legal holidays and of general circulation in New York, New York Whenever successive weekly publications in the Authorized Newspapers are required under any agreement or other document, they may be made (unless otherwise expressly provided therein) on the same or different days of the week and in the same or in different Authorized Newspapers If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or for any other reason, it is impossible or impracticable to publish any notice required hereunder in the manner provided, then such publication in lieu thereof as shall be made with the approval, in the case of a notice under the Indenture, of the Indenture Trustee, or in the case of a notice under the Authorization Agreement or the Security Agreement, of the Secretary, shall constitute a sufficient publication of such notice.

"Average Principal Amount of Obligations Outstanding" shall mean the average principal amount of the Obligations Outstanding during the annual period covered by the Guarantee Fee in question.

"Barge" means a barge listed in Schedule Y or Z to the Guarantee Commitment

"Bond Purchase Agreement" means that certain underwriting agreement relating to the sale of the Obligations between the Shipowner and the Purchaser named therein, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Business Day" means a day which is not a Saturday, Sunday or a bank holiday under the laws of the United States or the State of New York.

"Charter" means the Bareboat Charter dated July 31, 1980 between the Shipowner and the Charterer substantially in the form of Exhibit 5 to the Security Agreement as originally executed, or as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"Charterer" means Commercial Barge Line Company, a Delaware corporation, and its successors and assigns under the Charter

"Closing Date" means the initial date on which the Obligations are sold and delivered pursuant to the Bond Purchase Agreement

"Company" means Commercial Barge Line Company, a corporation organized and existing under the laws of the State of Delaware

"Consent" when used with respect to the Shipowner means a written consent of the Shipowner executed by a Responsible Officer thereof.

"Consent to Assignment of Charter" means the consent of the Charterer executed on or before the Closing Date, evidencing consent to the assignment of the Charter, insofar as it relates to the Vessels, under the Security Agreement, as originally executed or as the same may be modified, amended, or supplemented in accordance with the applicable provisions thereof

"Consent of Shipbuilder" means the consent of the Shipbuilder to be executed on or before the Closing Date, evidencing consent to the assignment of the Construction Contract, insofar as it relates to the Vessels, under the Security Agreement, as originally executed or as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof

"Construction" means construction of a Vessel, including the designing, inspecting, outfitting and equipping thereof

"Construction Contract" means the Construction Contracts dated as of March 1, 1978 and March 3, 1978 between Jeffboat, Incorporated and the Shipowner providing for the construction of 4 Towboats and 99 Barges as originally executed or as the same have been or may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"[C]ontrol" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative with the foregoing.

"Corporate Trust Office" means the office or agency of the Indenture Trustee at which at any particular time its corporate agency business shall be conducted, except that with respect to Section 601 of Exhibit 1 to the Indenture and the definition of the term "Secretary's Notice", Corporate Trust Office shall mean the office or agency of the Indenture Trustee at which at any particular time its corporate trust business shall be administered

"Crew's Wages" means crew's wages including the wages of a master to the extent provided by Public Law 90-293, approved April 25, 1968.

"Default" when used in the Security Agreement has the meaning attributed to it in Section 601 of Exhibit 1 to the Security Agreement

"Delivery Date" means the date when a Vessel is delivered to and accepted by the Shipowner pursuant to the Construction Contract relating thereto.

"Depository" means The Chase Manhattan Bank (National Association), a national banking association, as depository under the Depository Agreement and any successor or assign under the Depository Agreement.

"Depository Agreement" means the Depository Agreement dated July 31, 1980 (Contract No MA-9395) among the Shipowner, the Charterer, the Secretary and the Depository as originally executed, or as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"Depreciated Actual Cost" means, with respect to any Vessel, the depreciated actual cost of such Vessel as determined and redetermined by the Secretary pursuant to Section 1101(g) of the Act.

"Eligible Investment" has the meaning specified in the Title XI Reserve Fund and Financial Agreement

"Escrow Fund" has the meaning specified in Article First of the Special Provisions of the Security Agreement.

"Guarantee" means each, and **"Guarantees"** means every guarantee of an Obligation by the United States pursuant to Title XI of the Act, as provided in the Authorization Agreement.

"Guarantee Commitment" means the Commitment to Guarantee Obligations by the United States, Contract No. MA-9391, dated January 17, 1980, executed by the Secretary and accepted by the Shipowner with respect to the Guarantees, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Guarantee Fee" means the annual fee payable to the Secretary for the Guarantees.

"Holder" means each, and **"Holders"** means every, registered holder of an Obligation.

"Increased Security" means, with respect to each Vessel, the Secretary's Note, the Security Agreement, the Vessel, the Security, the proceeds and the Policies of Insurance, collectively, described in Section 6.04 of Exhibit 1 to the Security Agreement

"Indenture" means the Trust Indenture dated July 31, 1980 between the Shipowner and the Indenture Trustee, as originally executed, or as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"Indenture Default" has the meaning specified in Article VI of Exhibit 1 to the Indenture.

"Indenture Trustee" means The Chase Manhattan Bank (National Association), New York, New York, a national banking association, and any successor trustee under the Indenture

"Independent Auditing Firm" means a firm of independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, who may be the regular auditors for the Shipowner.

"Interest Payment Date" means, with respect to any Obligation, the date when any installment of interest on such Obligation is due and payable

"Latest Schedule" has the meaning specified in Section 3.02(b) of Exhibit 1 to the Security Agreement.

"Long Term Debt" has (a) in the case of the Title XI Reserve Fund and Financial Agreement, the meaning set forth in Section 1(d) of Exhibit 1 thereto and (b) for all other purposes, the meaning specified in Section 3.02(b) of Exhibit 1 to the Security Agreement with respect to the Shipowner.

"Maritime Administration" means the Maritime Administration established by Reorganization Plan No. 21 of 1950 and continued by Reorganization Plan No. 7 of 1961, or any body or official which is successor to said Maritime Administration with respect to a particular function.

"Maturity", when used with respect to any Obligation, means the date on which the principal of such Obligation becomes due and payable as therein provided, whether at the Stated Maturity, by redemption, or by acceleration.

"Moneys Due in Respect of the Construction of the Vessels" has the meaning specified in paragraph II of the Granting Clause of the Special Provisions of the Security Agreement.

"Mortgage" means the first preferred fleet mortgage on the Vessels, Contract No. MA-9394, to be dated July 31, 1980 between the Shipowner and the Secretary, substantially in the form of Exhibit 3 to the Security Agreement, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Mortgagee" means the Secretary, as mortgagee under the Mortgage.

"Mortgagor" means the Shipowner, as mortgagor under the Mortgage.

"Net Worth" or "Owner's Equity" (a) when used with respect to a Guarantee Fee has the meaning specified in Section 3.02(b) of Exhibit 1 to the Security Agreement and (b) when used with respect to the Title XI Reserve Fund and Financial Agreement has the meaning specified in Section 1(b) of the Title XI Reserve Fund and Financial Agreement.

"Obligation" means each, and **"Obligations"** means every, obligation of the Shipowner bearing a Guarantee and authenticated and delivered pursuant to the Indenture and the Authorization Agreement.

"Obligation Register" has the meaning specified in Section 2.10 of Exhibit 1 to the Indenture.

"Obligee" means each, and **"Obligees"** means every, Holder of an Obligation.

"Offering Circular" means that certain final offering circular dated July 17, 1980 relating to the issuance and sale of the Obligations.

"Officer's Certificate" means a certificate conforming to Section 1.02 of Exhibit 1 to the Security Agreement and signed by a Responsible Officer of a Person.

"Opinion of Counsel" means an opinion of counsel conforming to Section 1.02 of Exhibit 1 to the Security Agreement.

"Outstanding", when used with reference to the Obligations, shall mean all Obligations theretofore issued under the Indenture, except

- (1) Obligations Retired or Paid; or
- (2) Obligations in lieu of which other Obligations have been issued under the Indenture

"Paying Agent" means any bank or trust company having the qualifications set forth in clauses (1), (3), (4) and (5) of Section 7.02(a) of Exhibit 1 to the Indenture which shall be appointed by the Shipowner in accordance with Section 4.02 of Exhibit 1 to the Indenture to pay the principal of (and premium, if any) or interest on the Obligations on behalf of the Shipowner.

"Payment Default" has the meaning specified in Section 6.01(a) of Exhibit 1 to the Security Agreement.

"Person" means any individual, corporation, partnership, estate, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof

"Place of Payment" means the place at which an Obligation is to be redeemed pursuant to Article III of Exhibit 1 to the Indenture

"Policies of Insurance" and **"Policies"** mean all cover notes, binders, policies of insurance and certificates of entry in a protection and indemnity association, club or syndicate with respect to a Vessel, including all endorsements and riders to any thereof.

"Proportionate Outstanding Obligations" means, with respect to any redemption pursuant to Section 3.05 of Exhibit 1 to the Indenture, the Proportionate Part of the Obligations immediately prior to such redemption and, in the case of any other calculation, means the Proportionate Part of the Obligations Outstanding as of the calculation date that is appropriate in the context

"Proportionate Part of" means, as of the date of any calculation, the portion of the item in question which bears the same proportion to the entire amount of the item in question as (x) the Depreciated Actual Cost of the Vessels (in respect of which such calculation is being made) as of such date multiplied by 75% or 87½% as the case may be, bears to (y) the Depreciated Actual Cost of all the Vessels multiplied by 75% or 87½% as the case may be, as of the date of such calculation; provided that the Depreciated Actual Cost of any Vessel which shall have previously been the subject of an event occasioning a redemption pursuant to Section 3.05 of Exhibit 1 to the Indenture shall be excluded from such calculation.

"Principal Office", when used with respect to the Shipowner means the principal place of business of the Shipowner at which at any particular time its corporate business (or in the case of a commercial bank, its corporate trust business) shall be principally administered

"Purchaser" means each, and **"Purchasers"** means every, Person who executes or is listed in the Bond Purchase Agreements with the Shipowner.

"Redemption Date" means, with respect to any Obligation, the date fixed for the redemption of an obligation by or pursuant to Article III of Exhibit 1 to the Indenture or the Special Provisions thereof.

"Redemption Price" means, with respect to any Obligation, the price at which an Obligation is to be redeemed pursuant to Article III of Exhibit 1 to the Indenture or the Special Provisions thereof.

"Request" means a written request to a Person for the action therein specified, signed by a Responsible Officer of the Person making such request.

"Responsible Officer" means (i) in case of any business corporation, the chairman of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer or any assistant treasurer and (ii) in the case of any commercial bank, the chairman or vice chairman of the board of directors or trustees or of any executive committee, the president, any vice president, the secretary, the treasurer, any assistant secretary or assistant treasurer, any trust officer, any executive or senior or second or assistant vice president, or any other officer or assistant officer customarily performing functions similar to those performed by the persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject

"Retired or Paid" as applied to Obligations and the indebtedness evidenced thereby, means that such Obligations shall be deemed to have been retired or paid and shall no longer be entitled to any rights or benefits provided in the Indenture if

- (1) such Obligations shall have been paid in full;

(2) such Obligations shall have been cancelled by the Indenture Trustee or shall have been delivered to the Indenture Trustee for cancellation; or

(3) such Obligations shall have become due and payable at Maturity and funds sufficient for the payment of such Obligations (including interest to the date of Maturity [or in the case of a payment after Maturity to the date of payment] together with any premium thereon) and available for such payment (whether as a result of payment pursuant to the Guarantees or otherwise) shall be held by the Indenture Trustee or any Paying Agent pursuant to Section 4 02 of Exhibit 1 to the Indenture (or shall have been so held and shall thereafter have been paid to the Shipowner pursuant to Section 4 03 of Exhibit 1 to the Indenture) in trust for the purpose or with irrevocable directions to it to so apply the same.

provided that the foregoing definition is subject to the provisions of Section 6 08 of Exhibit 1 to the Indenture

"Schedule Y Vessels" means the Towboats and Barges listed in Schedule Y to the Guarantee Commitment, together with related appurtenances, additions, improvements and replacements

"Schedule Z Vessels" means the Towboats and Barges listed in Schedule Z to the Guarantee Commitment, together with related appurtenances, additions, improvements and replacements.

"Secretary" means the Secretary of Commerce or any official or body from time to time duly authorized to perform the duties and functions of the Secretary of Commerce under Title XI (including the Assistant Secretary of Commerce for Maritime Affairs, the Acting Assistant Secretary of Commerce for Maritime Affairs, the Maritime Administrator, the Acting Maritime Administrator, and, to the extent so authorized, the Deputy Assistant Secretary of Commerce for Maritime Affairs, the Deputy Maritime Administrator and other officials of the Maritime Administration)

"Secretary of Commerce" means the Secretary of Commerce or any official or body from time to time duly authorized to perform the duties and functions of Secretary of Commerce under the Act (other than Title XI thereof), or any other statutes relating to the American Merchant Marine (including the Maritime Subsidy Board, the Assistant Secretary of Commerce for Maritime Affairs, the Acting Assistant Secretary of Commerce for Maritime Affairs, the Maritime Administrator, the Acting Maritime Administrator, and other assistants so authorized, and, to the extent so authorized, the Deputy Assistant Secretary of Commerce for Maritime Affairs, the Deputy Maritime Administrator and other officials of the Maritime Administration).

"Secretary's Note" means a promissory note issued and delivered by the Shipowner to the Secretary described in Article Second of the Special Provisions of the Security Agreement

"Secretary's Notice" means a notice from the Secretary to the Indenture Trustee to the effect that (a) a default, within the meaning of Section 1105(b) of the Act, has occurred under a mortgage, loan agreement, or other security agreement that has been entered into among the Secretary, the Shipowner and any other parties in order to protect the interests of the United States in connection with the Guarantees, (b) such notice is given for the purposes of Section 6 01(b) of Exhibit 1 to the Indenture in order to protect the security interests of the United States under such mortgage, loan agreement or other security agreement, and (c) the Guarantees will terminate upon the expiration of 60 days from the date of such notice if the Indenture Trustee and each Obligor shall have failed to demand payment of the Guarantees as provided in this Indenture, in the Guarantees or in the Act. Such notice shall be given (i) in writing, by registered mail, return receipt requested, deposited in the United States mails on the date of such notice and addressed to a Responsible Officer in the Corporate Trust Office of the Indenture Trustee, in accordance with the Special Provisions of the Indenture, (ii) by collect telegram, telex, telecopy or similar means of transmission dispatched on such date and addressed to the Indenture

Trustee as aforesaid and (iii) by collect telephone call made on such date to a Responsible Officer in the Corporate Trust Office of the Indenture Trustee. A Secretary's Notice shall not be deemed to have been given unless it shall have been given in accordance with all the provisions of this definition, and the date of any Secretary's Notice shall be deemed to be the date on which it is so given.

"Security" has the meaning specified in the Granting Clause of the Special Provisions of the Security Agreement.

"Security Agreement" means the security agreement, Contract No. MA-9393, with respect to the Vessels to be executed on July 31, 1980 by the Secretary and the Shipowner relating to the security in respect of the Guarantees, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Security Default" has the meaning specified in Section 6.01 of Exhibit 1 to the Security Agreement.

"Shipbuilder" shall mean Jeffboat, Incorporated, a Delaware corporation and its successors and assigns.

"Shipowner" means American Commercial Lines, Inc., a Delaware corporation, and subject to the provisions of Section 8.01 of Exhibit 1 to the Indenture shall also include its successors and assigns.

"Stated Maturity", when used with respect to any Obligation, means the date specified in any Obligation as the final fixed date on which the principal of such Obligation is due and payable and *"Stated Maturities"* means every such date.

"Subordinated Debt" means debt subordinated to the Obligations on either (a) the terms and conditions set forth in the Statement of Subordination Terms in (i) Exhibit 3 to the Title XI Reserve Fund and Financial Agreement for debt of the Company or (ii) Exhibit 4 to the Title XI Reserve Fund and Financial Agreement for debt of the Shipowner or (b) such other terms as are approved by the Secretary.

"Successor" means a Person formed by or surviving a consolidation or merger with the Shipowner or to which the Vessels have been sold and which has qualified as such successor under all applicable provisions of the Security Agreement, Mortgage and Indenture.

"Supplemental Indenture" shall mean any indenture supplemental to an Indenture entered into pursuant to Article X of Exhibit 1 to the Indenture.

"Title XI" means Title XI of the Act.

"Title XI Reserve Fund and Financial Agreement" means that Title XI Reserve Fund and Financial Agreement, Contract No. MA-8428, dated July 29, 1976, between the Charterer and the Secretary, as originally executed, as amended by Amendment No. 1 thereto dated August 30, 1977 and as the same may be further amended or supplemented in accordance with the applicable provisions thereof.

"Towboat" means a towboat listed in Schedule Y or Z to the Guarantee Commitment.

"United States" means the United States of America.

"Vessel" means each, and *"Vessels"* means every, Schedule Y Vessel and every Schedule Z Vessel owned by the Shipowner together with all property relating to said Vessel or Vessels which the Shipowner has, or will have, an interest in pursuant to the Construction Contract and all work and material heretofore or hereafter performed upon or installed in, or placed aboard each Vessel and shall mean such Vessel as completed in accordance with the Construction Contract, together with related appurtenances, additions, improvements and replacements, and when used with respect to the Mortgage shall have the meaning specified in the Granting Clause thereof.

TABLE A - DELIVERED VESSELS

<u>Name of Vessel</u>	<u>Official Number</u>	<u>Delivery Date</u>	<u>Actual Cost (a)</u>	<u>Depreciation Rate Per Day (b)</u>	<u>Total Depreciation (c)</u>	<u>Depreciated Actual Cost (d)</u>
Chem 110	584490	12-23-77	\$315,890	\$33.75263	\$32,064.99	\$283,825.01
Chem 111	584491	1-06-78	315,890	33.75263	31,592.46	284,297.54
Chem 112	584492	3-03-78	315,890	33.75263	29,702.31	286,187.69
Chem 113	584493	3-24-78	315,890	33.75263	28,993.50	286,896.50
Chem 114	584494	4-03-78	315,890	33.75263	28,655.98	287,234.02
Chem 115	584495	4-11-78	313,000	33.44383	28,126.26	284,873.74
Chem 116	584496	4-24-78	313,000	33.44383	27,691.49	285,308.51
Chem 117	584497	5-05-78	313,000	33.44383	27,323.60	285,676.40
Chem 118	584498	5-18-78	313,000	33.44383	26,888.83	286,111.17
Chem 119	584499	5-26-78	313,000	33.44383	26,621.28	286,378.72
Chem 120	593014	6-09-78	308,000	32.90958	25,735.29	282,264.71
Chem 121	593015	6-22-78	308,000	32.90958	25,307.46	282,692.54
Chem 122	593016	7-07-78	308,000	32.90958	24,813.82	283,186.18
Chem 123	593017	7-31-78	308,000	32.90958	24,023.99	283,976.01
Chem 124	593018	8-28-78	308,000	32.90958	23,102.52	284,897.48
Chem 125	593019	9-15-78	308,000	32.90958	22,510.16	285,489.84
Chem 126	593020	10-02-78	308,000	32.90958	21,950.68	286,049.32
Chem 127	593021	10-16-78	311,000	33.23013	21,699.27	289,300.73
Chem 128	593022	10-31-78	311,000	33.23013	21,200.82	289,799.18
Chem 129	593023	11-10-78	311,000	33.23013	20,868.52	290,131.48
Chem 130	593024	11-17-78	311,000	33.23013	20,635.91	290,364.09
Chem 131	593025	11-30-78	311,000	33.23013	20,203.91	290,796.09
Chem 132	593026	12-08-78	311,000	33.23013	19,938.07	291,061.93
Chem 133	593027	12-22-78	311,000	33.23013	19,472.85	291,527.15
ACBL 110	604010	6-05-79	173,000	18.48493	7,782.15	165,217.85
ACBL 111	604011	5-31-79	173,000	18.48493	7,874.58	165,125.42
ACBL 112	604012	5-31-79	173,000	18.48493	7,874.58	165,125.42
ACBL 113	604013	6-05-79	173,000	18.48493	7,782.15	165,217.85
ACBL 114	604014	6-05-79	173,000	18.48493	7,782.15	165,217.85
ACBL 115	604015	6-06-79	173,000	18.48493	7,763.67	165,236.33
ACBL 116	604016	6-06-79	173,000	18.48493	7,763.67	165,236.33
ACBL 117	604017	6-11-79	173,000	18.48493	7,671.24	165,328.76
ACBL 118	604018	6-12-79	173,000	18.48493	7,652.76	165,347.24
ACBL 119	604019	6-12-79	173,000	18.48493	7,652.76	165,347.24
ACBL 120	604020	6-13-79	173,000	18.48493	7,634.27	165,365.73
ACBL 121	604021	6-15-79	173,000	18.48493	7,597.30	165,402.70
ACBL 122	604022	6-15-79	173,000	18.48493	7,597.30	165,402.70
ACBL 123	604023	6-20-79	173,000	18.48493	7,504.88	165,495.12

TABLE A - DELIVERED VESSELS

<u>Name of Vessel</u>	<u>Official Number</u>	<u>Delivery Date</u>	<u>Actual Cost (a)</u>	<u>Depreciation Rate Per Day (b)</u>	<u>Total Depreciation (c)</u>	<u>Depreciated Actual Cost (d)</u>
ACBL 124	604024	6-18-79	\$173,000	\$18.48493	\$ 7,541.85	\$165,458.15
ACBL 1850	606600	1-18-80	183,000	19.55342	3,793.36	179,206.64
ACBL 1851	606601	1-28-80	183,000	19.55342	3,597.83	179,402.17
ACBL 1852	606602	1-28-80	183,000	19.55342	3,597.83	179,402.17
ACBL 1853	606603	1-28-80	183,000	19.55342	3,597.83	179,402.17
ACBL 1854	606604	1-28-80	183,000	19.55342	3,597.83	179,402.17
ACBL 1855	606605	1-28-80	183,000	19.55342	3,597.83	179,402.17
ACBL 1856	606606	1-28-80	183,000	19.55342	3,597.83	179,402.17
ACBL 1857	606607	1-28-80	183,000	19.55342	3,597.82	179,402.18
ACBL 1858	606608	1-28-80	183,000	19.55342	3,597.82	179,402.18
ACBL 1859	606609	2-04-80	183,000	19.55342	3,460.95	179,539.05
ACBL 1870	609317	7-25-79	178,000	19.01917	7,056.11	170,943.89
ACBL 1871	609318	7-31-79	178,000	19.01917	6,941.99	171,058.01
ACBL 1872	609319	8-01-79	178,000	19.01917	6,922.97	171,077.03
ACBL 1873	609320	8-03-79	178,000	19.01917	6,884.93	171,115.07
ACBL 1874	609321	8-09-79	178,000	19.01917	6,770.82	171,229.18
ACBL 1875	609322	8-06-79	178,000	19.01917	6,827.88	171,172.12
ACBL 1876	609323	8-08-79	178,000	19.01917	6,789.84	171,210.16
ACBL 1877	609324	8-13-79	178,000	19.01917	6,694.74	171,305.26
ACBL 1878	609325	8-13-79	178,000	19.01917	6,694.74	171,305.26
ACBL 1879	609326	8-15-79	178,000	19.01917	6,656.70	171,343.30
ACBL 1880	609327	8-15-79	178,000	19.01917	6,656.70	171,343.30
ACBL 1881	609328	8-17-79	178,000	19.01917	6,618.67	171,381.33
ACBL 1882	609329	8-17-79	178,000	19.01917	6,618.67	171,381.33
ACBL 1883	609330	8-23-79	178,000	19.01917	6,504.55	171,495.45
ACBL 1884	609331	8-27-79	178,000	19.01917	6,428.47	171,571.53
ACBL 3200	604025	5-18-79	209,000	22.33150	9,803.52	199,196.48
ACBL 3201	604026	5-14-79	209,000	22.33150	9,892.85	199,107.15
ACBL 3202	604027	5-15-79	209,000	22.33150	9,870.52	199,129.48
ACBL 3203	604028	5-14-79	209,000	22.33150	9,892.85	199,107.15
ACBL 3204	604029	5-21-79	209,000	22.33150	9,736.53	199,263.47
ACBL 3205	604030	5-30-79	209,000	22.33150	9,535.55	199,464.45
ACBL 3206	604031	5-21-79	209,000	22.33150	9,736.53	199,263.47
ACBL 3207	604032	5-30-79	209,000	22.33150	9,535.55	199,464.45
ACBL 3208	604033	6-06-79	209,000	22.33150	9,379.22	199,620.78
ACBL 3209	604034	5-30-79	209,000	22.33150	9,535.55	199,464.45

TABLE A - DELIVERED VESSELS

<u>Name of Vessel</u>	<u>Official Number</u>	<u>Delivery Date</u>	<u>Actual Cost (a)</u>	<u>Depreciation Rate Per Day (b)</u>	<u>Total Depreciation (c)</u>	<u>Depreciated Actual Cost (d)</u>
ACBL 3210	604035	6-06-79	\$209,000	\$22.33150	\$ 9,379.22	\$199,620.78
ACBL 3211	604036	6-26-79	209,000	22.33150	8,932.59	200,067.41
ACBL 3212	604037	6-06-79	209,000	22.33150	9,379.22	199,620.78
ACBL 3213	604038	5-30-79	209,000	22.33150	9,535.55	199,464.45
ACBL 3214	604039	5-31-79	209,000	22.33150	9,513.21	199,486.79
ACBL 3215	604040	6-20-79	209,000	22.33150	9,066.58	199,933.42
ACBL 3216	604041	6-27-79	209,000	22.33150	8,910.26	200,089.74
ACBL 3217	604042	6-29-79	209,000	22.33150	8,865.60	200,134.40
ACBL 3218	604043	6-29-79	209,000	22.33150	8,865.60	200,134.40
ACBL 3219	604044	6-30-79	209,000	22.33150	8,843.27	200,156.73
ACBL 3220	604045	6-29-79	209,000	22.33150	8,865.61	200,134.39
ACBL 3221	604046	6-30-79	209,000	22.33150	8,843.27	200,156.73
ACBL 3222	604047	7-05-79	209,000	22.33150	8,731.61	200,268.39
ACBL 3223	604048	7-06-79	209,000	22.33150	8,709.28	200,290.72
ACBL 3224	604049	7-06-79	209,000	22.33150	8,709.28	200,290.72
ACBL 3225	606610	7-11-79	209,000	22.33150	8,597.62	200,402.38
ACBL 3226	606611	7-16-79	209,000	22.33150	8,485.96	200,514.04
ACBL 3227	606612	7-19-79	209,000	22.33150	8,418.97	200,581.03
ACBL 3228	606613	7-24-79	209,000	22.33150	8,307.31	200,692.69
ACBL 3229	606614	7-25-79	209,000	22.33150	8,284.98	200,715.02
ACBL 3230	606615	8-09-79	209,000	22.33150	7,950.01	201,049.99
ACBL 3231	606616	8-08-79	209,000	22.33150	7,972.34	201,027.66
ACBL 3232	606617	7-31-79	209,000	22.33150	8,150.99	200,849.01
ACBL 3233	606618	7-06-79	209,000	22.33150	8,709.28	200,290.72
ACBL 3234	606619	8-02-79	209,000	22.33150	8,106.33	200,893.67
Total Barges			\$21,887,450		\$1,166,756.61	\$20,720,693.39
<u>Towboats</u>						
Thruston Morton	594629	6-30-78	\$2,332,391.00	\$249.21438	\$189,652.14	\$2,142,738.86
Robert Koch	598151	10-18-78	2,250,665.60	240.48207	156,553.82	2,094,111.78
Bill Carneal	610971	8-31-79	2,619,395.60	279.88062	93,480.12	2,525,915.48
R. W. Greene	619977	4-29-80	2,960,912.00	316.37141	29,422.54	2,931,489.46
Total Towboats			\$10,163,364.20		\$469,108.62	\$9,694,255.58
Total All Vessels			\$32,050,814.20		\$1,635,865.23	\$30,414,948.97

Table A - Delivered Vessels

NOTE:

- (a) The actual cost of the vessels listed as of the date hereof as determined by the Secretary.
- (b) Depreciation on a straight-line basis over the 25-year useful life of the vessel computed at a rate per day.
- (c) The depreciation rate per day times the total number of days.
- (d) The actual cost less the total depreciation.

SCHEDULE Y

(Vessels Delivered One Year Prior to July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Chemical	Chem 110	584490	Jeffersonville Indiana	1977	835/835
Barge, Chemical	Chem 111	584491	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 112	584492	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 113	594493	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 114	584494	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 115	584495	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 116	584496	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 117	584497	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 118	584498	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 119	584499	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 120	593014	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 121	593015	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 122	593016	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 123	593017	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 124	593018	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 125	593019	Jeffersonville Indiana	1978	835/835

SCHEDULE Y

(Vessels Delivered One Year Prior to July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Chemical	Chem 126	593020	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 127	593021	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 128	593022	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 129	593023	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 130	593024	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 131	593025	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 132	593026	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 133	593027	Jeffersonville Indiana	1978	835/835
Barge, Covered Hopper	ACBL 3200	604025	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3201	604026	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3202	604027	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3203	604028	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3204	604029	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3205	604030	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3206	604031	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3207	604032	Jeffersonville Indiana	1979	986/986

SCHEDULE Y

(Vessels Delivered One Year Prior to July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximat Tonnage Gross/Net</u>
Barge, Covered Hopper	ACBL 3208	604033	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3209	604034	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3210	604035	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3211	604036	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3212	604037	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3213	604038	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3214	604039	Jeffersonville Indiana	1979	986/986
Barge, Open Hopper	ACBL 110	604010	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 111	604011	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 112	604112	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 113	604113	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 114	604114	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 115	604115	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 116	604116	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 117	604017	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 118	604018	Jeffersonville Indiana	1979	729/729

SCHEDULE Y

(Vessels Delivered One Year Prior to July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Open Hopper	ACBL 119	604019	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 120	604020	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 121	604021	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 122	604022	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 123	604023	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 124	604024	Jeffersonville Indiana	1979	729/729
Barge, Covered Hopper	ACBL 3215	604040	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3216	604041	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3217	604042	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3218	604043	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3219	604044	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3220	604045	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3221	604046	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3222	604047	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3223	604048	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3224	604049	Jeffersonville Indiana	1979	986/986

SCHEDULE Y

(Vessels Delivered One Year Prior to July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Covered Hopper	ACBL 3225	606610	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3226	606611	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3227	606612	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3228	606613	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3232	606617	Jeffersonville Indiana	1979	986/986
Barge, Open Hopper	ACBL 1871	609318	Jeffersonville Indiana	1979	729/729
Towboat	Thruston Morton	594624	Jeffersonville Indiana	1978	623/423
Towboat	Robert Koch	598151	Jeffersonville Indiana	1978	623/423

SCHEDULE 2

(Vessels Delivered Within One Year of July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximat Tonnage Gross/Net</u>
Barge, Open Hopper	ACBL 1850	606600	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1851	606601	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1852	606602	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1853	606603	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1854	606604	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1855	606605	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1856	606606	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1857	606607	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1858	606608	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1859	606609	Jeffersonville Indiana	1980	798/798
Barge, Covered Hopper	ACBL 3229	606614	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3230	606615	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3231	606616	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3232	606618	Jeffersonville Indiana	1979	986/986

SCHEDULE 2

(Vessels Delivered Within One Year of July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Covered Hopper	ACBL 3234	606619	Jeffersonville Indiana	1979	986/986
Barge, Open Hopper	ACBL 1870	609317	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1872	609319	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1873	609320	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1874	609321	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1875	609322	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1876	609323	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1877	609324	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1878	609325	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1879	609326	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1880	609327	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1881	609328	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1882	609329	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1883	609330	Jeffersonville Indiana	1979	729/729

SCHEDULE 2

(Vessels Delivered Within One Year of July 31, 1980)

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximat Tonnage Gross/Net</u>
Barge, Open Hopper	ACBL 1884	609331	Jeffersonville Indiana	1979	729/729
Towboat	R. W. Greene	619977	Jeffersonville Indiana	1980	947/643
Towboat	Bill Carneal	610971	Jeffersonville Indiana	1979	947/643

**General Provisions
Incorporated into the
Security Agreement by
Reference**

**EXHIBIT 1
to Security Agreement**

MAR-SA-SM-6

Document

**GENERAL PROVISIONS INCORPORATED
INTO THE SECURITY AGREEMENT
BY REFERENCE**

**Exhibit 1
to
Security Agreement**

EXHIBIT 1

GENERAL PROVISIONS OF THE SECURITY AGREEMENT

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EXHIBIT 1

General Provisions Incorporated Into the Security Agreement by Reference

ARTICLE I

Definitions; Officer's Certificates and Opinions of Counsel

Section 1.01. Definitions. For all purposes of this Security Agreement, the terms used herein shall have the meanings specified in the Special Provisions hereof.

Section 1.02. Officer's Certificates and Opinions of Counsel. (a) Each Officer's Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Security Agreement (or waiver thereof) shall include:

(1) A statement that the Person making such certificate or rendering such opinion has read such covenant or condition;

(2) A brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) A statement that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with (or compliance therewith has been waived); and

(4) A statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with (or such compliance has been waived).

(b) An Opinion of Counsel may be based (insofar as it relates to factual matters, or to information which is in the possession of any Person) upon a certificate or opinion of or representations in writing signed by an officer or officers of such Person or by such Person and (insofar as it relates to matters required or permitted under this Security Agreement to be covered by a certificate or opinion of or representations by an appraiser, accountant, engineer or other expert) upon the certificate or opinion of or representations by such Person so acting, and may be based upon an Opinion of Counsel signed by another counsel.

An Opinion of Counsel may state that said opinion is subject to the execution and delivery of designated instruments if copies of such instruments in form approved by such counsel are

delivered to the Secretary prior to or concurrently with the delivery of said opinion.

(c) A certificate or opinion of a Person other than counsel may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the Person signing such certificate or opinion knows that such Opinion of Counsel is erroneous or, in the exercise of reasonable care, should have known that the same was erroneous.

(d) If the Security Agreement, the Depository Agreement (if any), the Title XI Reserve Fund and Financial Agreement, or the Mortgage requires or permits the execution of any document by officers, appraisers, accountants, engineers, experts, counsel or other Persons, such document may be executed in counterparts by different officers, appraisers, accountants, engineers, experts, counsel or other Persons, all of which shall form one instrument.

(e) If the signor of any document is required to be approved by the Secretary, the acceptance of such document by the Secretary shall be sufficient and conclusive evidence of such approval.

(f) If the delivery of any document is a condition precedent to any action required by this Security Agreement, the Mortgage, the Title XI Reserve Fund and Financial Agreement or the Depository Agreement (if any), such document may be withdrawn, revoked, rescinded, modified or amended at any time prior to such action, and, in the event of any such withdrawal, revocation or rescission, such document shall be disregarded for all purposes of this Security Agreement, the Mortgage, the Title XI Reserve Fund and Financial Agreement or the Depository Agreement (if any).

ARTICLE II

Representations and Agreements of the Shipowner

The Shipowner hereby represents and agrees, so long as this Security Agreement shall not have been discharged, as follows:

Section 2.01. Organization, Existence and Taxes of Shipowner. The Shipowner is duly organized, validly existing and in good standing under the laws of the jurisdiction designated in the initial paragraph of the Special Provisions hereof and, except as provided in Article IX, shall maintain such corporate existence, and the Shipowner has paid or caused to be paid all taxes assessed against it, unless the same are being contested in good faith or an authorized extension of time has been granted.

Section 2.02. United States Citizenship of Shipowner.

(a) The Shipowner is a citizen of the United States within the meaning of Section 2 of the Shipping Act, 1916, as amended, and shall remain such a citizen for operation in the trades in which the Shipowner proposes to operate the Vessels, or in the event the Shipowner shall cease to be such a citizen, the Shipowner shall notify the Secretary thereof as soon as it obtains knowledge of such fact.

(b) The Shipowner shall resubmit, as hereinafter provided, proof to the satisfaction of the Secretary that it remains a citizen of the United States within the meaning of the foregoing paragraph (a). The Shipowner shall resubmit such proof within 30 days after the date of each annual meeting of its stockholders, or of any written consent in lieu thereof; provided, however, if the Shipowner is a Person other than a corporation, it shall resubmit such proof within 30 days of each anniversary of the date of the initial affidavit filed with the Secretary.

Section 2.03. Authorization of Security Agreement, Obligations and Related Agreements. The execution and delivery of this Security Agreement, the Depository Agreement (if any), the Indenture, the Secretary's Note, the Title XI Reserve Fund and Financial Agreement and the Obligations have been duly authorized by the Shipowner and are not in contravention of any indenture, agreement or undertaking to which the Shipowner is a party or by which it is bound.

Section 2.04. (a) Title to and Possession of the Vessels. On the date of this Security Agreement the Shipowner lawfully owns each Vessel free from any lien whatsoever (subject to (i) the equity of the Shipbuilder under the Construction Contract, (ii) liens which the Shipbuilder is obligated to discharge under the Construction Contract, (iii) any pledge or assignment, subordinated to the interest of the Secretary hereunder, permitted under the Special Provisions hereof, and (iv) the rights of the Secretary hereunder) and shall, for the Secretary's benefit, warrant and defend the title to, and possession of, each Vessel and every part thereof against the claims and demands of all Persons whomsoever; provided that (except during such period that such Vessel shall have been levied upon and taken into custody or detained in any proceeding in any court or tribunal or by any government or other authority [except in connection with takings or requisitions of the title or use of such Vessel by any government or governmental body] and not released) -

(1) The foregoing shall not apply:

(A) to liens for Crew's Wages and salvage (including contract salvage) which shall not have been due and payable (i) if prior to the Delivery Date of the

respective Vessel, for 55 days, or (ii) if after the Delivery Date of the respective Vessel, for 10 days after termination of a voyage, or which, in either event, shall then be contested by the Shipowner in good faith;

(B) to liens for Crew's Wages, salvage (including contract salvage) and general average which are either unclaimed or covered by insurance;

(C) to liens incident to current operations (except for Crew's Wages, salvage and general average), liens for the wages of a stevedore when employed directly by the Shipowner, or the operator, master or agent of any Vessel or to liens covered by insurance and any deductible applicable thereto;

(D) to liens for repairs or with respect to any changes made in any Vessel pursuant to paragraph (i) of this Section;

(E) to liens which shall (i) on the Delivery Date, (if the date of execution and delivery of this Security Agreement is on or prior to the Delivery Date) have arisen incident to pre-delivery testing or in the ordinary course of business in furnishing, supplying and preparing any Vessel for operation or (ii) on the date of the execution and delivery of this Security Agreement, (if the Delivery Date is prior to the date hereof) have arisen in the ordinary course of operation of any Vessel and which shall, to the extent known to the Shipowner, be in an aggregate amount of not more than the amount specified in the Special Provisions hereof for such Vessel (exclusive of liens covered by insurance and any deductible applicable thereto and liens which the Shipbuilder is obligated to discharge under the Construction Contract);

(F) in the event the use or title of the respective Vessel is taken or requisitioned by any government or governmental body;

(G) in the event of any actual or constructive total loss or an agreed or compromised total loss of the respective Vessel; or

(H) to mortgages to the extent permitted by paragraph (b) of this Section;

provided that the liens stated to be permitted by the foregoing subparagraphs (A) through (D) shall, unless

they constitute a lien for damages arising out of tort, for wages of a stevedore when employed directly by the Shipowner or the operator, master, or agent of the respective Vessel, for Crew's Wages, for general average, or for salvage (including contract salvage), be permitted only to the extent they are liens subordinate to the lien of the Security; and

(2) the foregoing, insofar as it relates to the possession of a Vessel, shall not apply to sales, transfers and charters permitted by paragraph (b) of this Section.

(b) Sale, Mortgage, Transfer or Charter of the Vessels. The Shipowner shall not, without the prior written consent of the Secretary, sell, mortgage, demise charter or transfer any Vessel to an Affiliate under any form of charter, except the foregoing shall not apply to (i) takings or requisitions of the title or use of any Vessel by any government or governmental body, (ii) mergers or consolidations permitted by Article IX, or (iii) demise charters approved by the Secretary in writing.

(c) Taxes and Governmental Charges. The Shipowner shall pay and discharge, or cause to be paid and discharged, on or before the same shall become delinquent, all taxes, assessments, government charges, fines and penalties lawfully imposed upon each Vessel, unless the same are being contested in good faith.

(d) Liens. (1) As a condition precedent to each payment by the Shipowner under the Construction Contract, the Shipowner shall require evidence from the Shipbuilder showing that there are no liens or rights in rem against the respective Vessel prohibited by the Construction Contract. After the Delivery Date of each Vessel, the Shipowner shall forthwith satisfy, or cause to be satisfied, within 30 days of its knowledge thereof, any lien or encumbrance which shall be filed against such Vessel unless the same is being contested in good faith; and

(2) Neither the Shipowner, any charterer, the master of any Vessel, nor any other Person has or shall have any right, power or authority, without the prior written consent of the Secretary, to create, incur or permit to be placed or imposed on any Vessel any lien whatsoever, other than (A) the Mortgage and (B) liens permitted upon and after the Delivery Date of such Vessel by paragraph (a) of this Section. The Secretary hereby consents to other liens incident to current operations, but only to the extent that they are subordinate to the Mortgage.

(e) Documentation of the Vessels. Upon the Delivery Date, each Vessel shall be, and thereafter shall remain, documented under the laws of the United States.

(f) Compliance with Applicable Laws, etc. Each Vessel (1) is designed to meet, and on the Delivery Date thereof and at all times thereafter shall meet (unless otherwise required by any military authority of the United States and except during such period as (A) the use or title of such Vessel has been taken or requisitioned by any government or governmental body as contemplated by paragraph (b) of this Section, (B) there has been an actual or constructive total loss or an agreed or compromised total loss of such Vessel, or (C) there has been any other loss with respect to such Vessel and the Shipowner shall not have had a reasonable time to repair the same), all requirements of applicable laws, treaties and conventions, and of applicable rules and regulations thereunder, and the Shipowner shall not consent to any change in the Construction Contract which releases the Shipbuilder from its obligation to comply with such requirements, except to the extent that, with the prior written consent of the Secretary, such requirements shall then be contested in good faith by the Shipowner, and (2) shall have on board, as and when required thereby, valid certificates showing compliance therewith.

(g) Operation of the Vessels. The Shipowner shall not (unless otherwise required by any military authority of the United States and except during such period as the use or title of any Vessel has been taken or requisitioned by any government or governmental body as contemplated by paragraph (b) of this Section) (1) cause or permit the Vessels to be operated in any manner contrary to law or to any lawful rules or regulations of the Maritime Administration, (2) remove or attempt to remove the Vessels beyond the limits of the United States (except with the prior written consent of the Secretary) save on voyages with the intention of returning to the United States, or (3) unless there has been an actual or constructive total loss or an agreed or compromised total loss of any of the Vessels, abandon such Vessels in any foreign port.

(h) Condition and Maintenance of the Vessels. Each Vessel shall, on its respective Delivery Date, meet all requirements to entitle it to the highest classification and rating for vessels of the same age and type in American Bureau of Shipping.

The Shipowner shall at all times (unless otherwise required by any military authority of the United States and except during such period as (1) the use or title of any Vessel has been taken or requisitioned by any government or governmental body as contemplated by paragraph (b) of this Section, (2) there has been an actual or constructive total loss or an agreed or compromised total loss of such Vessel, or (3) there has been any other loss with respect to such Vessel and the Shipowner shall not have had a reasonable time to repair the same) after the respective Delivery Date, (A) at its own cost and expense, maintain and

preserve each Vessel, so far as may be practicable, in at least as good order and condition, ordinary wear and tear excepted, as at the Delivery Date, and (B) except with the express permission of the Maritime Administration during any idle or inactive period, keep each Vessel in such condition as will entitle her to retain the highest classification and rating for vessels of the same age and type in the American Bureau of Shipping (or other classification society of like standing if the requirements of the American Bureau of Shipping shall not be applicable).

The Shipowner shall, on the Delivery Date of each Vessel, furnish to the Secretary an Interim Class Certificate issued for each such Vessel by the American Bureau of Shipping (or other classification society of like standing if the requirements of the American Bureau of Shipping shall not be applicable) and promptly after the Delivery Date of each Vessel, furnish to the Secretary a Certificate of Class with respect to such Vessel issued by the American Bureau of Shipping (or such other classification society). During each calendar year after the year in which the Delivery Date occurs (unless any military authority of the United States requires that the above-mentioned classification and rating not be retained and except during periods as aforesaid) the Shipowner shall (1) furnish to the Secretary a Certificate of Confirmation of Class issued by the American Bureau of Shipping (or such other classification society) showing that the above-mentioned classification and rating have been retained for each Vessel and (2) furnish to the Secretary copies of all American Bureau of Shipping reports on annual, other periodical and damage surveys for each vessel.

(i) Material Changes in the Vessels. After the Delivery Date of any Vessel, the Shipowner shall not make, or permit to be made, any material change in the structure, means of propulsion, type or speed of such Vessel or in its rig, unless it shall have received the Secretary's prior written consent thereto,

Section 2.05. Maintenance of Construction Contract. The Construction Contract (insofar as it relates to the respective Vessel) shall be maintained in full force and effect insofar as it relates to the due performance by the Shipowner of all its obligations thereunder and the Shipowner shall not, without the prior consent of the Secretary, amend, modify or terminate the Construction Contract or consent to any change in the Construction Contract which releases the Shipbuilder from its obligations to comply with all applicable laws, treaties, conventions, rules and regulations, except to the extent that, with the prior written consent of the Secretary, such requirements are being contested in good faith by the Shipowner.

Section 2.06. Execution and Delivery of the Mortgage. On the Delivery Date of each Vessel, the Shipowner shall (1) execute and

delivery to the Secretary the Mortgage (or, if appropriate, a Mortgage Supplement) in the form required by the Granting Clause of the Special Provisions hereof; (ii) record or cause to be recorded the Mortgage (or, if appropriate, a Mortgage Supplement) in the office of the United States Coast Guard, or its successor, at the home port of the delivered Vessel and endorse the same upon each such Vessel's document; (or shall make due provision for said endorsement at a documentation office of the Coast Guard within 15 days of such recordation); and (iii) deliver to the Secretary an opinion of its counsel in substantially the form annexed hereto as Exhibit A to the Form of the Mortgage (except that said form of opinion may be appropriately revised in the event the Mortgage (or, if appropriate, a Mortgage Supplement) shall not at such time have been endorsed on the document of such Vessel but the Shipowner shall have made due provision therefor).

Section 2.07. Insurance. (a) Prior to the Delivery Date of each Vessel, the Shipowner shall, without cost to the Secretary or, with respect to war risk builder's risk insurance mentioned below, without cost to the Shipbuilder, cause each Vessel to be insured as provided in the Construction Contract and as contemplated by any consent of the Shipbuilder; provided that, the insurance required by this paragraph (a) shall be approved by the Secretary.

(b) Upon the Delivery Date of each Vessel and at all times thereafter, the Shipowner shall, without cost to the Secretary, keep such Vessel insured as indicated below and with such additional insurance as may be specified by the Secretary in an amount in dollars (in any coin or currency of the United States which at the time of the policy in question is legal tender for public and private debts) equal to 110% of the unpaid principal amount of the Proportionate Part of the Secretary's Note, or such greater sum, up to and including the full commercial value of such Vessel as may be required by the Secretary by, except in the case of the insurance required on the Delivery Date, at least 30 days' written notice (15 days' written notice in the case of war risk insurance, if any) to the Shipowner prior to the end of any policy period:

(1) Marine and war risk hull insurance under the latest (at the time of issue of the policies in question) forms of American Institute of Marine Underwriters' policies approved by the Secretary and/or policies issued by or for the Maritime Administration (or under such other forms of policies as the Secretary may approve in writing) insuring such Vessel against the usual risks covered by such forms (including, at the option of the Shipowner, such amounts of increased value and other forms of "total loss only" insurance as are permitted by said hull insurance policies); and

(2) While any Vessel is laid up, at the option of the Shipowner and in lieu of the above-mentioned marine and war risk hull or marine and war risk hull and increased value insurance, port risk insurance under the latest (at the time of issue of the policies in question) forms of American Institute of Marine Underwriters' policies approved by the Secretary and/or policies issued by or for the Maritime Administration (or under such other forms of policies as the Secretary may approve in writing) insuring such Vessel against the usual risks covered by such forms.

Irrespective of the foregoing, the Shipowner, with the prior written consent of the Secretary, shall have the right to self-insure up to the amount specified in the Special Provisions hereof for any loss resulting from any one accident or occurrence (other than an actual or constructive total loss of any Vessel).

(c) All policies of insurance under this Section shall provide, so long as this Security Agreement has not been discharged, that payment of all losses shall be made payable to the Secretary for distribution by him to himself, the Shipowner and (in the case of the insurance required by paragraph (a) of this Section) the Shipbuilder, except that (i) as provided in paragraph (e) of this Section and (ii) under the policies required by paragraph (b) of this Section, payment of all losses up to the amount specified in the Special Provisions hereof by all insurance underwriters with respect to any one accident, occurrence or event may be made directly to the Shipowner.

Any such insurance recoveries to which the Secretary shall be so entitled shall be applied as follows:

(1) In the event that insurance becomes payable under said policies on account of an accident, occurrence or event not resulting in an actual or constructive total loss or an agreed or compromised total loss of any Vessel, the Secretary shall (A) if there is no existing Default and if none of the events described in Section 2.09 has occurred, in accordance with a Request of the Shipowner, pay, or consent that the underwriters pay, direct for repairs, liabilities, salvage claims or other charges and expenses (including sue and labor charges due or paid by the Shipowner) covered by the policies, or (to the extent that, as stated in an Officer's Certificate delivered to the Secretary, accompanied by written confirmation by the underwriter or a surveyor or adjuster, the damage shall have been repaired and the cost thereof paid or such liabilities, salvage claims, or other charges and expenses discharged or paid) reimburse, or consent that the underwriters reimburse, the Shipowner therefor and (after all known damage with respect to the particular loss shall have been repaired, except to the

extent the Shipowner, with the written consent of the Secretary, deems the said repair inadvisable, and all known costs, liabilities, salvage claims, charges and expenses, covered by the policies, with respect to such loss shall have been discharged or paid, as stated in an Officer's Certificate delivered to the Secretary, accompanied by written confirmation by the underwriter or a surveyor or adjuster) pay, or consent that the underwriters pay, any balance to the Shipowner, or (B) if there is an existing Default, in accordance with a Request of Shipowner, pay, or consent that the underwriters pay, direct for the Shipowner's proportion of such repairs, liabilities, salvage claims or other charges and expenses (including sue and labor charges due or paid by the Shipowner) covered by the policies and hold any balance until the same may be paid or applied under clause (A), (C) or (D) of this subparagraph (1), whichever is applicable, or (C) if the Guarantees shall have terminated pursuant to Section 3.05(3) and none of the events described in Section 2.09 has occurred, apply the insurance as provided in Section 6.05, or (D) if the Guarantees shall have terminated pursuant to Section 3.05(2) or (4), pay the insurance to the Shipowner;

(2) In the event of an accident, occurrence or event resulting in an actual or constructive total loss of any Vessel prior to the Delivery Date of such Vessel, the Shipowner shall forthwith deposit with the Secretary any insurance moneys which the Shipowner receives on account thereof under policies of insurance required by paragraph (a) of this Section, and any such insurance moneys shall be held by the Secretary for 10 days (or such lesser or further time as the Shipowner and the Secretary may agree upon). Upon the expiration of said period of time, (A) if there is no existing Default and if the Shipowner, the Shipbuilder and the Secretary shall have elected not to construct such Vessel under the Construction Contract, then said insurance moneys shall be applied, to the extent necessary and required pursuant to Section 2.09, or (B) if there is no existing Default and if the Shipowner, the Shipbuilder and the Secretary shall not have made the election contemplated by the foregoing clause (A) of this subparagraph (2), then said insurance moneys (together with the funds of the Shipowner to the extent, if any, required by the Secretary for deposit on account of interest under clause (ii) below) shall be deposited in the Escrow Fund, in such amount and to the extent available, so that the moneys in the Escrow Fund after such deposit shall be equal to (i) the principal amount of the Proportionate Outstanding Obligations relating to such Vessel at the time of such deposit and (ii) such interest on said deposit, if any, as may be required by the Secretary (said moneys to be subject to withdrawal in the same manner

as moneys originally deposited in said Escrow Fund); and the balance, if any, of such insurance moneys held by the Secretary shall be paid to the Shipowner; and

(3) In the event of an accident, occurrence or event resulting in an actual or constructive total loss or an agreed or compromised total loss of any Vessel, whether prior to or after the Delivery Date of such Vessel, and the insurance moneys have not been applied as provided in subparagraph (2) of this paragraph (c), the Shipowner shall forthwith deposit with the Secretary any insurance moneys which the Shipowner receives on account thereof under policies of insurance required by this Section, and any such insurance moneys received by the Secretary, whether from the Shipowner or otherwise, or held by the Secretary pursuant to subparagraph (2) above, shall (A) if there is no existing Default, be applied, to the extent necessary, pursuant to Section 2.09, or (B) if there is an existing Security Default, be held until the same may be applied under clause (A), (C) or (D) of this subparagraph (3), whichever is applicable, or (C) if the guarantees shall have terminated pursuant to Section 3.05(3), be applied as provided in Section 6.05; provided that, irrespective of the foregoing, the Shipowner shall not be required to so deposit with the Secretary insurance moneys in an amount which, together with funds otherwise available for the redemption of Obligations, is in excess of that required for the redemption of the Proportionate Outstanding Obligations pursuant to Section 3.05 of Exhibit 1 to the Indenture and for the payment to the Secretary of a Proportionate Part of all other sums that may be secured by this Security Agreement and the Mortgage, or (D) if the Guarantees shall have terminated pursuant to Section 3.05(2) or (4), be paid to the Shipowner.

(d) In the event of an accident, occurrence or event resulting in a constructive total loss of any Vessel, the Secretary shall have the right (with the prior written consent of the Shipowner, unless there is an existing Default, and at any time prior to the Delivery Date of such Vessel also with the prior written consent of the Shipbuilder) to claim for a constructive total loss of such Vessel, and, if both (1) such claim is accepted by all underwriters under all policies then in force as to such Vessel under which payment is due for total loss and (2) payment in full is made in cash under such policies, then the Secretary shall have the right to abandon such Vessel to the underwriters under such policies, free from the lien of this Security Agreement and the Mortgage.

(e) Commencing on the Delivery Date of each Vessel, the Shipowner shall, without cost to the Secretary, keep each such Vessel insured against marine and war risk protection and

indemnity risks and liabilities by policies of insurance approved by the Secretary as to form and amount; provided that, (1) the Shipowner shall, as soon as possible after such Delivery Date, present any such policy to the Secretary (who shall promptly approve or disapprove the same), (2) any approval of a policy under this paragraph (e) shall be effective until the end of the policy period or until 60 days after the Secretary shall notify the Shipowner of a desired change in the form and/or amount thereof, whichever shall first occur, and (3) war protection and indemnity insurance shall be required unless written notice stating such insurance is not required is given by the Secretary to the Shipowner.

Such policies may provide that (1) if the Shipowner shall not have incurred the loss, damage, or expense in question, any loss under such insurance may be paid directly to the Person to whom any liability covered by such policies has been incurred (whether or not a Default then exists), and (2) if the Shipowner shall have incurred the loss, damage or expense in question, any such loss shall be paid to the Shipowner in reimbursement if there is no existing Default of which the underwriter has written notice from the Shipowner or the Secretary, or, if there is such an existing Default, to the Secretary to be held and applied as follows: (A) applied as provided in Section 6.05 in the event the Guarantees shall have terminated pursuant to Section 3.05(3), or (B) to the extent not theretofore applied pursuant to Section 6.05, paid forthwith to the Shipowner upon its Request in the event there is no existing Default or the Guarantees shall have terminated pursuant to Section 3.05(2) or (4) at the date of the delivery of such Request; provided that, irrespective of the foregoing, with the prior written consent of the Secretary, the Shipowner shall have the right to self-insure in an amount up to the limit specified in the Special Provisions hereof with respect to each accident, occurrence or event, except that, with respect to cargo or property carried, the Shipowner, with the prior written consent of the Secretary, shall have the right to self-insure in an amount up to the limit specified in the Special Provisions hereof with respect to each cargo or property carried.

(f) All insurance required under this Section shall be placed and kept with the United States government or with American and/or British (and/or other foreign, if permitted by the Secretary by written notice furnished to the Shipowner) insurance companies, underwriters' association or underwriting funds approved by the Secretary of Commerce. All insurance required under this Section shall be arranged through marine insurance brokers and/or underwriting agents as may be selected by the Shipowner and approved by the Secretary.

(g) The Secretary shall not have the right to enter into an agreement or compromise providing for an agreed or compromised

total loss of any Vessel without the prior written consent of (i) the Shipbuilder (prior to the Delivery Date of such Vessel) and (ii) (unless there is an existing Default) the Shipowner. If (1) the Shipowner shall have given prior consent thereto or (2) there is an existing Default, the Secretary shall have the right in his discretion, and with the prior written consent of the Shipbuilder prior to the Delivery Date of such Vessel, to enter into an agreement or compromise providing for an agreed or compromised total loss of such Vessel; provided that, if the aggregate amount payable to the Shipowner and/or the Secretary under such agreement or compromise, together with funds held by the Secretary and available for the redemption of Obligations, is not sufficient to redeem or pay the Proportionate Outstanding Obligations pursuant to Section 2.09, the Secretary shall not enter into such agreement or compromise without the prior written consent of the Shipowner.

(h) During the continuance of (1) a taking or requisition of the use of any Vessel by any government or governmental body, or (2) a charter, with the prior written consent of the Secretary, of the use of any Vessel by the United States Government or by any governmental body of the United States, or by any other government or governmental body, the provisions of this Section shall be deemed to have been complied with in all respects if such government or governmental body shall have agreed to reimburse, in a manner approved by the Secretary in writing, the Shipowner for loss or damage covered by the insurance required hereunder or resulting from the risks indicated in paragraphs (a), (b) and (e) of this Section or if the Shipowner shall be entitled to just compensation therefor. In addition, the provisions of this Section shall be deemed to have been complied with in all respects during any period after (A) title to any Vessel shall have been taken or requisitioned by any government or governmental body or (B) there shall have been an actual or constructive total loss or an agreed or compromised total loss of any Vessel. In the event of any taking, requisition, charter or loss contemplated by this paragraph, the Shipowner shall promptly furnish to the Secretary an Officer's Certificate stating that such taking, requisition, charter or loss has occurred and, if there shall have been a taking, requisition or charter of the use of any Vessel, that the government or governmental body in question has agreed to reimburse the Shipowner, in a manner approved by the Secretary, for loss or damage resulting from the risks indicated in the above-mentioned paragraphs (a), (b) and (e) of this Section or that the Shipowner is entitled to just compensation therefor.

(i) All insurance required (A) under paragraph (a) of this Section shall be taken out in the names of the Shipowner, the United States and the Shipbuilder as assureds, and (B) under paragraphs (b) and (e) of this Section shall be taken out in the

names of the Shipowner and the United States as assureds. All policies for such insurance so taken out shall, unless otherwise consented to by the Secretary, provide that (1) there shall be no recourse against the United States for the payment of premiums or commissions, (2) if such policies provide for the payment of club calls, assessments or advances, there shall be no recourse against the United States for the payment thereof, and (3) at least 10 days' prior written notice of any cancellation for the non-payment of premiums, commissions, club calls, assessments or advances shall be given to the Secretary by the insurance underwriters.

(j) The Shipowner shall not, without the prior written consent of the Secretary, (1) do any act, nor voluntarily suffer or permit any act to be done, whereby any insurance required by this Section shall or may be suspended, impaired or defeated or (2) suffer or permit any Vessel to engage in any voyage or to carry any cargo not permitted under the policies of insurance then in effect without first covering such Vessel with insurance satisfactory in all respects for such voyage or the carriage of such cargo; provided that, this paragraph shall be subject to the requirements of any military authority of the United States and shall not apply in the case of such Vessel if and so long as the title or use of such Vessel shall have been taken, requisitioned or chartered by any government or governmental body as contemplated by Section 2.09.

(k) In the event that any claim or lien is asserted against any Vessel for loss, damage or expense which is covered by insurance hereunder and it is necessary for the Shipowner to obtain a bond or supply other security to prevent arrest of such Vessel or to release such Vessel from arrest on account of said claim or lien, the Secretary, on Request of the Shipowner, may, at the sole option of the Secretary, assign to any Person executing a surety or guaranty bond or other agreement to save or release such Vessel from such arrest, all right, title and interest of the Secretary in and to said insurance covering such loss, damage or expense as collateral security to indemnify against liability under said bond or other agreement.

(l) Except as the Secretary shall otherwise direct by notice in writing to the Shipowner, the Shipowner shall deliver to the Secretary the original policies evidencing insurance maintained under this Section; provided that, if any such original policy shall have been delivered previously to the Secretary or to a mortgagee by the Shipowner under another ship mortgage of the Shipowner, the Shipowner shall deliver a duplicate or pro forma copy of such policy to the Secretary. The Secretary or any agent thereof (who may also be an agent of the issuer) shall at all times hold the policies delivered as aforesaid; provided that, if one or more of said policies are held by an agent of the

Secretary, the Shipowner shall, upon request of the Secretary, deliver a duplicate or pro forma copy thereof to the Secretary, and provided further that, if the Shipowner shall deliver to the Secretary a Request (1) stating that delivery of any such policy to the insurer is necessary in connection with the collection, enforcement or settlement of any claim thereunder (including claims for return premiums and any other amounts payable by the insurer) and (2) setting forth the name and address of the Person to whom such policy is to be delivered or mailed for such purpose, and if the Secretary approves such Request, the Secretary shall, at the expense of the Shipowner, deliver or mail (by registered or certified mail, postage prepaid) such policy in accordance with such Request, accompanied by a written direction to the recipient to redeliver such policy directly to the Secretary or an agent thereof when it has served the purpose for which so delivered. The Shipowner agrees that, in case it shall at any time so cause the delivery or mailing of any policy to any Person as aforesaid, the Shipowner will cause such policy to be promptly redelivered to the Secretary or an agent thereof as aforesaid. The Secretary shall have no duty to see to the redelivery of such policy, but shall have the duty to request the redelivery thereof at intervals of 60 days thereafter.

(m) Nothing in this Section shall limit the insurance coverage which the United States may require pursuant to any contract or agreement to which the United States and the Shipowner are parties.

The requirements of this Section 2.07 are expressly subject to the Special Provisions of this Security Agreement.

Section 2.08. Inspection of the Vessels; Examination of Shipowner's Records. The Shipowner will (i) afford the Secretary, upon reasonable notice, access to the Vessels, their cargoes and papers for the purpose of inspecting the same and (ii) at reasonable times permit the Secretary, upon request, to make reasonable, material and pertinent examination and audit of books, records and accounts maintained by the Shipowner, and to take information therefrom and make transcripts or copies thereof; but, in each instance, only to the extent the Secretary may reasonably deem necessary or appropriate in connection with the performance of his duties and functions under the Act and in connection with the agreements of the Shipowner hereunder.

Section 2.09. Requisition of Title, Termination of Construction Contract or Total Loss. In the event, as to any Vessel, of (A) requisition of title to or seizure or forfeiture of such Vessel, (B) termination of the Construction Contract relating to such Vessel pursuant to the provisions thereof (unless, in the case of such termination, the Shipowner shall elect, with the prior written consent of the Secretary, to have

such Vessel completed), or (C) the occurrence of the circumstances referred to in Section 2.07(c) (3) if there shall have been an accident, occurrence or event resulting in an actual or constructive total loss or an agreed or compromised total loss of such Vessel --

(1) The Shipowner shall promptly give written notice thereof to the Secretary;

(2) The Shipowner shall (subject to the consent or approval of the Secretary and/or the Maritime Administration if and to the extent they have jurisdiction) promptly pay all amounts it receives by reason of such requisition, seizure, forfeiture, termination or total loss to the Secretary; and

(3) After all amounts which are reasonably expected to be received by the Secretary in connection with any such requisition, seizure, forfeiture, termination or total loss (whether from the Shipowner pursuant to the foregoing subparagraph (2), from a government or governmental body, or otherwise) shall have been received by the Secretary, (A) if there is no existing Default, (i) the Secretary and the Shipowner shall give notice to the Indenture Trustee of a redemption of Proportionate Outstanding Obligations pursuant to Section 3.05 of Exhibit 1 to the Indenture, (ii) such amount, if any, held by the Secretary, shall be paid by the Secretary to the Indenture Trustee not earlier than 10 days prior to, nor later than the opening of business on, the Redemption Date required by Section 3.05 of Exhibit 1 to the Indenture, and (iii) the remainder shall next be applied by the Secretary for the payment of a Proportionate Part of all other sums that may be secured hereby, and (iv) the balance shall be paid to the Shipowner, or (B) if there is an existing Default and the Guarantees shall not have terminated pursuant to Section 3.05, such amounts shall be held until the same may be applied or paid under clause (A), (C) or (D) of this subparagraph (3), whichever is applicable, or (C) if the Guarantees shall have terminated pursuant to Section 3.05(3), such amounts shall be applied as provided in Section 6.05, or (D) if the Guarantees shall have terminated pursuant to Section 3.05(2) or (4) such amounts shall be paid by the Secretary to the Shipowner;

provided that, irrespective of the foregoing, (i) the Shipowner shall not be required to pay to the Secretary pursuant to the foregoing subparagraph (2) an amount which, together with funds held by the Secretary and the Indenture Trustee and available for the redemption of Obligations, is in excess of that required for the redemption of the Proportionate Outstanding Obligations pursuant to Section 3.05 of Exhibit 1 to the Indenture, and for the payment to the Secretary of a Proportionate Part of all other

sums that may be secured hereby, and (ii) if the Shipowner considers the amount tendered to the Shipowner on account of any such requisition or termination to be unsatisfactory, the Shipowner shall have the right to contest the same by judicial or other proceedings (irrespective of the applicability of provisions of the same general character as those contained in Section 902 of the Act).

Section 2.10. Annual Financial Statements and No Default Certificate. (a) The accounts of the Shipowner shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, who may be the regular auditors for the Shipowner; and the Shipowner shall furnish to the Secretary, in duplicate, (i) within 120 days after the end of each fiscal year of the Shipowner commencing with the first fiscal year ending after the date of this Security Agreement, a balance sheet of the Shipowner as of the close of such fiscal year and a statement of income and surplus of the Shipowner for such fiscal year, all in reasonable detail and certified by such public accountants and in the form of M.A. Form 172 or such other form approved by the Secretary, and (ii) within 90 days after the expiration of each first semi-annual period of each fiscal year commencing with the first such semi-annual period ending after the date of this Security Agreement, a balance sheet of the Shipowner as at the end of such period and a statement of income and surplus of the Shipowner from the beginning of such period to the end of such period, all in reasonable detail, in the form of M.A. Form 172 or such other form approved by the Secretary, unaudited but certified as correct by an appropriate officer of the Shipowner on the basis of the accounting records of the Shipowner and to the best of his knowledge and belief.

(b) Within 120 days after the end of each fiscal year of the Shipowner, the Shipowner shall furnish to the Secretary an Officer's Certificate dated as of the close of such fiscal year stating whether or not, to the knowledge of the signer, the Shipowner is in default in the performance of or compliance with any covenant, agreement or condition contained herein and in the Mortgage and, if so, specifying each such default of which the signer may have knowledge and stating the nature thereof.

Section 2.11. Compliance with Ship Mortgage Act. The Shipowner shall comply with and satisfy all of the provisions of the Ship Mortgage Act, 1920, as amended, in order to establish, after the execution and delivery of the Mortgage (or, if appropriate, a Mortgage Supplement), and thereafter to maintain, the Mortgage as a preferred mortgage thereunder upon each Vessel.

Section 2.12. Notice of Mortgage. A properly certified copy of the Mortgage, any supplement to the Mortgage, and any assignment of the Mortgage, shall be carried on board each Vessel with the respective Vessel's documents and shall be exhibited, on demand, to any Person having business with such Vessel or to any representative of the Secretary.

A notice, reading as provided in the Special Provisions hereof (or containing such other information as may be approved by the Secretary), printed in plain type of such size that the paragraph of reading matter shall cover a space not less than six inches wide by nine inches high, and framed, shall (together with a notice of any assignment of the Mortgage) be placed and kept prominently exhibited in the chart room and in the master's cabin of such Vessel. The provisions of this Section shall not apply until a reasonable time after the recordation of the Mortgage.

Section 2.13. Payment of Principal of and Interest on the Obligations. The Shipowner shall duly and punctually pay the principal of and interest on the Outstanding Obligations (and the corresponding Secretary's Note), when the same shall become due and payable, whether by reason of Maturity, redemption or otherwise, in accordance with the terms of the Obligations, the Secretary's Note and the Indenture.

Section 2.14. Performance of Shipowner's Agreements by the Secretary. If the Shipowner shall fail to perform any of its agreements hereunder or under the Mortgage, the Secretary may, in his discretion, at any time during the continuance of an event which by itself or with the passage of time or the giving of notice, or both, would constitute a Default, do all acts and make all necessary expenditures to remedy such failure. Notwithstanding the foregoing, the Secretary shall not be obligated to (and shall not be liable for his failure to) do such acts and make such expenditures.

All funds advanced and expenses and damages incurred by the Secretary in connection with any such compliance, together with interest at a rate equal to the greater of: (a) the sum of the effective rate borne by the Obligations and the rate of the Guarantee Fee computed in accordance with Section 3.02, or (b) the sum of the interest rate the Department of Treasury would charge the Federal Ship Financing Fund for a similar borrowing of like maturity and the rate of the Guarantee Fee computed in accordance with Section 3.02, shall constitute a debt due from the Shipowner to the Secretary and shall be secured hereunder and under the Mortgage prior to the Secretary's Note and shall be repaid by the Shipowner upon demand.

Section 2.15. Uniform Commercial Code Filings; Further Assurances. The Shipowner shall (1) furnish evidence satisfactory

to the Secretary that financing statements under the Uniform Commercial Code shall have been filed against the Shipowner and/or the Shipbuilder in all offices in which it may be necessary or advisable in the opinion of the Secretary to perfect its security interest, and (ii) from time to time execute and deliver such further instruments and take such action as may reasonably be required more effectively to subject the Security to the lien of this Security Agreement and the Mortgage as contemplated thereby.

ARTICLE III

The Secretary's Guarantees; Guarantee Fees; and the Secretary's Note

Section 3.01. Delivery of Obligations. Prior to the issuance of the Obligations, the Secretary and the Indenture Trustee shall enter into the Authorization Agreement, annexed as Exhibit 3 to the Indenture, pursuant to which the Secretary shall authorize the Indenture Trustee to authenticate and deliver the Guarantees imprinted on the Obligations in accordance with such terms and conditions as are prescribed in the Authorization Agreement.

Section 3.02. Title XI Guarantee Fee. (a) The Guarantee Fee (1) for annual periods beginning with the date hereof and prior to the Delivery Date of each Vessel, shall be at a rate of not less than 1/4 of 1% per annum and not more than 1/2 of 1% per annum of the excess of the average principal amount of the Proportionate Outstanding Obligations during the annual period covered by said Guarantee Fee over the average amount (except interest) on deposit in the Escrow Fund in respect of such Vessel during said annual period (such excess for any such annual period covered being herein called the "Average Proportionate Principal Amount of Obligations Outstanding"), and (ii) for annual periods beginning with the Delivery Date of each Vessel, shall be at a rate of not less than 1/2 of 1% per annum and not more than 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual periods covered by said Guarantee Fee; provided, however, in the event of a Security Default, the Secretary may, after having given written notice to the Shipowner, increase the Guarantee Fee up to a maximum of 1/2 of 1% per annum prior to the Delivery Date and 1% per annum after the Delivery Date with respect to each Vessel.

(b) The Guarantee Fee shall be based on a ratio of the Shipowner's net worth (the "Net Worth" or "Owner's Equity") to the Shipowner's long term debt (the "Long Term Debt"), as hereinafter stated, with such adjustment in Net Worth and Long Term Debt as the Secretary, in his sole discretion, may determine to be necessary to reflect the original principal amount of the

Obligations and any additional Net Worth which the Secretary, in his discretion, may require. The Guarantee Fee shall be subject to annual redetermination by the Secretary prior to the annual period covered by said Guarantee Fee on the basis of the ratio of Net Worth to Long Term Debt, as hereinafter stated, and the Secretary, in the event of any change in the rate of the Guarantee Fee, shall promptly give written notice to the Shipowner specifying the Guarantee Fee for such annual period. Net Worth and Long Term Debt shall be (i) based on information contained in the Owner's Equity and Long Term Debt sections, respectively, in Schedule 200 of M.A. Form 172 (or similar information contained in such other form or statement required by the Secretary to be filed by the Shipowner) required by the Secretary to be filed by the Shipowner with the Secretary next prior to the date on which the Guarantee Fee is to be paid by the Shipowner (the "Latest Schedule"), or (ii) computed in accordance with General Order 22 (Revised), as amended or hereafter amended (46 CFR, Part 282) (or other order or directive in lieu of said General Order 22, as determined by the Secretary), in the event that the Latest Schedule (whether or not required) has not been filed by the Shipowner with the Secretary; provided, that, with the consent of the Secretary, there shall be included in Net Worth but excluded from Long Term Debt any subordinated indebtedness representing loans to the Shipowner, evidence of which shall have been delivered to and approved by the Secretary.

(c) The applicable annual Guarantee Fee for annual periods beginning with the date hereof and prior to the Delivery Date of each Vessel will be determined as follows:

(1) If the Net Worth is less than 15% of the Long Term Debt, the Guarantee Fee shall be 1/2 of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee;

(2) If the Net Worth is less than the Long Term Debt but equal to or greater than 15% of the Long Term Debt, the Guarantee Fee shall be 3/8 of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee; or

(3) If the Net Worth shall equal or exceed the Long Term Debt, the Guarantee Fee shall be 1/4 of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee.

(d) The applicable annual Guarantee Fee for annual periods commencing on and after the Delivery Date of each Vessel will be determined as follows:

(1) If the Net Worth is less than 15% of the Long Term Debt, the Guarantee Fee shall be 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee;

(2) If the Net Worth is less than 60% of the Long Term Debt but equal to or greater than 15% of the Long Term Debt, the Guarantee Fee shall be $\frac{3}{4}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee;

(3) If the Net Worth is less than the Long Term Debt but equal to or greater than 60% of the Long Term Debt, the Guarantee Fee shall be $\frac{5}{8}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee; or

(4) If the Net Worth shall equal or exceed the Long Term Debt, the Guarantee Fee shall be $\frac{1}{2}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee.

(e) The Guarantee Fee shall be calculated for each annual period covered thereby and shall take into account (i) the principal amount of the Obligations to be originally issued during such annual period, (ii) payments to be made at Maturity and redemptions required to be made pursuant to the mandatory sinking fund provisions (if any) of the Special Provisions of the Indenture (without regard to any credit provided therein) and (iii) the average amount (except interest) calculated by the Shipowner to be on deposit in the Escrow Fund during such annual period.

(f) The annual Guarantee Fee shall be subject to increase or decrease to the extent that (i) the principal amount of the Obligations calculated to be paid at Maturity or to be redeemed in accordance with the mandatory sinking fund provisions (if any) of the Special Provisions of the Indenture is not so paid or redeemed, (ii) the principal amount of the Obligations originally issued differs from the principal amount calculated to be issued originally, and (iii) the average amount (except interest) on deposit in the Escrow Fund differs from the average amount (except interest) which was calculated to be on deposit in the Escrow Fund during the annual period covered by the Guarantee Fee. The annual Guarantee Fee shall be subject to decrease for redemptions made pursuant to the optional redemption provisions, if any, of the Obligations and the optional sinking fund provisions, if any, of the Special Provisions of the Indenture and Sections 3.04 and 3.05 of Exhibit 1 to the Indenture, for Obligations delivered to the Indenture Trustee pursuant to

Section 2.13 of Exhibit 1 to the Indenture, and in the event of termination of the applicable Guarantees pursuant to Section 3.05(2) or (4). Any such increases and decreases provided for by this paragraph (f) shall be adjusted as provided in paragraph (i) of this Section 3.02.

(g) The payment of the initial Guarantee Fee which covers a 12-month period commencing with the date hereof is being made to the Secretary by the Shipowner concurrently with the execution and delivery of this Security Agreement, the receipt whereof by the Secretary is hereby acknowledged. The Guarantee Fee hereunder in respect of each succeeding 12-month period shall be paid to the Secretary by the Shipowner at least 65 days prior to each anniversary of the date hereof, covering the 12-month period then commencing. For each day on which the annual Guarantee Fee is unpaid following the tenth (10th) day from which the Guarantee Fee shall have been due and payable, the Secretary shall charge the Shipowner, and the Shipowner agrees to pay, interest at a rate equal to the prevailing rate of one-year Treasury obligations as of December 31 of the preceding year (computed on a basis of a 365-day calendar year). The Guarantee Fee shall not be due for any period on or after any anniversary date, if, prior to said date, said Guarantees shall have terminated or the Secretary shall have defaulted in making payment of said Guarantees.

(h) Unless otherwise specified by the Secretary in a written notice to the Shipowner, the Guarantee Fee hereunder may be paid by check (which need not be certified) payable to the order of "Maritime Adm.-Commerce", delivered in person or sent by mail, addressed to the Secretary as provided in Article X, accompanied by a letter stating that the payment is of the Guarantee Fee required hereunder and specifying the period covered by such payment, or if the Secretary requests, must be paid via the United States Treasury Electronic Fund Transfer System using the form supplied by the Secretary.

(i) In the event that the Secretary at any time determines that the amount of any Guarantee Fee should be adjusted, has been erroneously calculated or is subject to increase or decrease pursuant to paragraph (f) of this Section 3.02, he shall promptly give written notice thereof to the Shipowner, specifying the correct amount, the basis of computation thereof and the amount of the deficiency or excess. The Shipowner shall pay to the Secretary by whichever means the Secretary may request, within 30 days after it has received said notice, the amount of any deficiency.

In the event that during any such annual period the Delivery Date of a Vessel or Vessels shall have occurred, the rate of the Guarantee Fee shall be prorated so that the Guarantee Fee

specified in paragraph (c) of this Section is applicable to such Vessel or Vessels from the next prior anniversary date of this Security Agreement to such Delivery Date and that the Guarantee Fee specified in paragraph (d) of this Section is applicable to such Vessel or Vessels from such Delivery Date to the end of such annual Guarantee Fee period.

The amount of any excess payment of \$100.00 or more shall be promptly refunded to the Shipowner by the Secretary and the amount of any excess payment of less than \$100.00 shall be credited by the Secretary against the next payment when due or if no further payments are to become due, shall be promptly refunded to the Shipowner by the Secretary; provided that, if there is an existing Default, any such amount shall, subject to Article VI, be retained by the Secretary until (A) there is no existing Default or (B) the Guarantees shall have terminated pursuant to Section 3.05(1), (2) or (4).

(j) Subject to the provisions of paragraphs (f) and (i) of this Section, the Guarantee Fee shall be determined to be fully earned as of the commencement of the period to which it is applicable and, subject to said provisions, no refund will be made by the Secretary of any Guarantee Fee in the event the Guarantees shall terminate after the due date of such Guarantee Fee, or the time of receipt and collection by the Secretary, in the case of a deficit Guarantee Fee.

Section 3.03. Payment of the Secretary's Note. The principal of and the interest on the Secretary's Note shall be payable as follows:

(1) by payment of interest on the Obligations in accordance with the provisions thereof and the Indenture;

(2) by redemption of the Obligations in accordance with the provisions thereof and the Indenture;

(3) when such Obligations have been Retired or Paid, other than by payment of the Guarantees;

and the aforesaid payment shall constitute payment of the interest on and the principal of the Secretary's Note as of the date on which and to the extent such payment, redemption or retirement is made and the Secretary's Note shall be discharged to the extent of such payment of principal; provided that to the extent that any such payment has been made with moneys advanced or loaned to the Shipowner by the Secretary, such payment on the Obligations shall not as to such amount constitute payment of principal of or interest on the Secretary's Note and the same shall not in any manner be discharged as to such amount, and to the extent of such non-discharge of the Secretary's Note an

endorsement satisfactory to the Secretary shall be placed on the Secretary's Note.

Section 3.04. Cancellation of the Secretary's Note. In the event and when the Guarantees on all the Obligations as to which Guarantees are secured by the Secretary's Note have been terminated pursuant to the provisions of Section 3.05(1), (2) or (4), or if such Guarantees have been terminated pursuant to Section 3.05(3) and the Secretary has been fully reimbursed in an amount equivalent to such Guarantee payments with the interest thereon provided in the Secretary's Note together with any other moneys secured by the Secretary's Note and hereby, the Secretary's Note shall be cancelled and returned by the Secretary to the Shipowner.

Section 3.05. Termination of the Guarantees. Except as provided in Section 6.08 of Exhibit 1 to the Indenture, the Guarantee with respect to a particular Obligation shall terminate in case, and only in case, one or more of the following events shall occur:

(1) Such Obligation shall have been Retired or Paid;

(2) The Holders of all the Obligations then Outstanding shall have elected by Act of Obligees to terminate the Guarantees, and the Secretary has been so notified by the Indenture Trustee or all Obligees in writing; provided that such termination shall not prejudice any rights accruing hereunder prior to such termination.

(3) Such Guarantee shall have been paid in full in cash by the Secretary; or

(4) The Indenture Trustee and each Obligee shall have failed to demand payment of such Guarantee as provided in the Indenture or in such Guarantee or in the Act.

Section 3.06. Execution of Additional Secretary's Note Upon Subsequent Issue of Obligations. In the event and when each new issue of Obligations is executed, authenticated and delivered on a date or dates subsequent to the date hereof, as contemplated by, and pursuant to the provisions of, the Special Provisions of the Indenture and Section 2.04 of Exhibit 1 to the Indenture, (i) the Shipowner shall, at the time of the issuance of such Obligations, execute and deliver to the Secretary an additional Secretary's Note in an amount equal to the principal amount of, and at the interest rate borne by, such issue of Obligations, on the terms prescribed by Section 3.03 and otherwise of like tenor to the form of Secretary's Note annexed hereto, and (ii) the Shipowner and the Secretary shall execute an instrument amending or supplementing the Mortgage if then in effect (or the form of

the Mortgage, if not then in effect) to the extent necessary to provide security in respect of such additional Secretary's Note. Each Secretary's Note executed and delivered in accordance with the provisions of this Section shall, together with the Secretary's Note referred to in the Special Provisions hereof, be secured by this Security Agreement and the Mortgage.

ARTICLE IV

Construction Fund; Moneys Due in Respect of Construction of the Vessels

Section 4.01. Construction Fund. (a) The Shipowner has, simultaneously with the execution of this Security Agreement, deposited with the Depository the amount, if any, as indicated in the Special Provisions hereof to be held in the Construction Fund in a special joint depository account subject to the joint control of the Shipowner and the Secretary.

(b) The Construction Fund, if any, will be maintained and withdrawn in accordance with the provisions of this Section and Sections 4.02, 4.03 and 4.04.

(c) In the event the Special Provisions hereof provide for a Construction Fund, the Secretary and the Shipowner shall have entered into the Depository Agreement with the Depository governing the establishment and maintenance of the Construction Fund in form satisfactory to the Shipowner and the Secretary.

(d) At the time of each original issue of additional Obligations the Shipowner shall deposit with the Depository an amount equal to the excess, if any, of the principal amount of the Obligations issued at such time over (i) the principal amount then required to be deposited in the Escrow Fund and (ii) the moneys, if any, paid, to the date of such issue, toward the Actual Cost of the Vessels and which would, had the same been deposited into the Construction Fund, then be eligible for withdrawal from the Construction Fund pursuant to the provisions of Section 4.02.

Section 4.02. Withdrawals from the Construction Fund.
(a) The whole or any part of the Construction Fund shall be applied from time to time to the direct payment to the Indenture Trustee, any Paying Agent for the Obligations, the Shipbuilder or any other Person entitled thereto of any amount which from time to time the Shipowner is obligated to pay to the Indenture Trustee or any Paying Agent in respect of the principal of or interest on the Obligations, or the Shipbuilder or such other Person on account of the items, amounts and increases set forth

in the determination of Actual Cost referred to in the Special Provisions hereof; provided that --

(1) If the Shipowner shall have paid or caused to be paid (whether directly or pursuant to Section 5.02(b)) to the Indenture Trustee, any Paying Agent for the Obligations, the Shipbuilder or such other Person any amount referred to in this Section, the Shipowner shall be reimbursed from the Construction Fund therefor to the extent provided in this Section; and

(2) No payment or reimbursement under this Section shall be made (A) to any Person until the amount paid by or for the account of the Shipowner in respect of said items, amounts and increases from sources other than the proceeds of the Obligations equals at least 12-1/2% (or, in the circumstances described in the proviso of this subparagraph (2), 25%) of the Actual Cost of the related Vessel with respect to which such payment is made, (B) to the Shipbuilder until any estimated net trade-in allowance applicable to such Vessel which is, at the time, due and payable by the United States to the Shipbuilder pursuant to Section 510 of the Act has been paid to the Shipbuilder on account of item (1) of the Table annexed hereto, (C) to the Shipbuilder until the Shipowner shall have paid to the Shipbuilder out of its general funds all amounts which at the time are due and payable by the Shipowner on account of charter hire of a vessel traded in pursuant to the foregoing Section 510, (D) to the Shipowner which would have the effect of reducing the total amounts paid, referred to in clause (A) of this subparagraph (2), below the respective minima set forth in said clause with respect to such Vessel, (E) to the Shipowner for reimbursement of any balance of a requested disbursement paid by the Shipowner with respect to such related Vessel pursuant to the last sentence of Section 5.02(d) or for reimbursement of any payment by the Shipbuilder referred to in clauses (B) and (C) of this subparagraph (2), or (F) to any Person on account of items or amounts or increases representing changes and extras or owner furnished equipment, if any, set forth in the Table annexed hereto unless such items, amounts or increases shall have been previously approved as to item and amount by the Secretary or the Maritime Administration; provided that, in the event that the amount eligible for guarantees pursuant to Section 1104(b) (2) of the Act, is limited to 75% of the Actual Cost or Depreciated Actual Cost of the related Vessel with respect to which such payment is made, after 50% of the Actual Cost of such Vessel has been paid by or for the account of the Shipowner on account of the above-mentioned items, amounts and increases, the minimum of 12-1/2% set forth in clause (A) of this subparagraph (2) shall be changed to 25% with respect

to payments on account of items, amounts and increases relating to such Vessel.

(b) In the event that one of the events described in Section 2.09 has occurred, upon a Request of the Shipowner, approved in writing by the Secretary, moneys remaining on deposit in the Construction Fund may be withdrawn for one of the following purposes: (1) application as provided in Section 3.05 of Exhibit 1 to the Indenture, (2) payment to the Shipowner or its order in the event that all of the Proportionate Outstanding Obligations are Retired or Paid, other than by payment of the Guarantees, or (3) application as provided in Section 6.05, if the Secretary shall have paid the Guarantees.

Section 4.03. Procedures for Construction Fund Withdrawals.

(a) Prior to any payment or reimbursement pursuant to Section 4.02, there shall have been delivered to the Secretary:

(1) A request for payment (the "Request for Payment") (specifying the Person or Persons to be paid and the amount of such payment) executed by the Shipowner, approved and countersigned by the Secretary which Request for Payment shall request the Depository to notify the Secretary when the Construction Fund is exhausted; and

(2) An Officer's Certificate stating --

(A) That the payments and reimbursements are on account of the items, amounts or increases set forth in the determination of Actual Cost;

(B) That the amounts stated therein are then payable in respect thereof (specifying the amount in respect of each such item, amount and increase and the name and address of the Person to whom it should be paid) and/or that payments in a stated amount in respect thereof have been made by or for the account of the Shipowner from sources other than the Construction Fund or amounts (exclusive of interest) deposited in the Escrow Fund (specifying the amount in respect of each such item, amount and increase) and that reimbursement therefor from the Construction Fund has not theretofore been made;

(C) That there is no Default under this Security Agreement;

(D) That there has been compliance with all conditions provided for in this Section as to the payments and reimbursements thereby requested;

(E) That the aggregate payments made by or for the account of the Shipowner for the Actual Cost of the Vessel in respect of which the requested payment or reimbursement is to be made from sources other than the proceeds of the Obligations, after such payment or reimbursement is made, shall remain not less than 12-1/2% (or in the circumstances described in the proviso of subparagraph 4.02(a)(2), 25%) of the Actual Cost of such Vessel; and

(F) The balance which will remain in the Construction Fund following the payment requested in the Request for Payment.

(b) Upon approval and countersignature by the Secretary of the Request for Payment, the Request for Payment shall be delivered to the Depository which shall make payment in accordance with the terms of such Request for Payment.

Section 4.04. Redeposit of Funds into the Construction Fund. At any time the Secretary shall have determined that there has been, for any reason, an insufficient deposit into or an improper disbursement from the Construction Fund, he shall give written notice to the Shipowner of the amount improperly deposited or disbursed, the amount to be deposited or redeposited into the Construction Fund on account thereof, and the reasons for such determination. The Shipowner shall thereafter promptly deposit or redeposit, as appropriate, such amount into the Construction Fund.

Section 4.05. Cash Held by the Depository in the Construction Fund. (a) All cash held by the Depository in the Construction Fund shall be held in a special joint depository account for the purposes for which held (subject to Section 4.03).

(b) Cash held by the Depository in the Construction Fund (i) need not be segregated; (ii) shall not be invested or reinvested except as provided in the following paragraph (c) and (iii) shall not bear interest except to the extent the Depository allows interest on similar deposits or except as the Shipowner and the Depository may agree.

(c) If the Depository is so directed by the Shipowner by the delivery of a Request, any cash held in the Construction Fund pursuant to paragraph (a) of this Section shall, unless there is an existing Default, be invested or reinvested by the Depository in (i) negotiable certificates of deposit of the Depository provided such investment in negotiable certificates of deposit of the Depository does not exceed 10% of the Depository's capital or (ii) in securities which constitute direct obligations of the

United States or any agency of the United States; provided that, such investments or reinvestments shall mature not later than one year from the date of the investment or the reinvestment. The Depository shall sell all or any designated part of such securities if (i) so directed by the Shipowner by the delivery of a Request approved by the Secretary in writing (or, at the Secretary's written direction, without any Request of the Shipowner, during the continuance of a Default) or (ii) at any time the proceeds thereof are required for the purposes specified in Section 4.02. If such sale (or any payment at maturity) produces a net sum less than the cost (including accrued interest paid as such) of the securities so sold or paid, the Depository shall give written notice to the Secretary and the Shipowner of such deficiency and the Shipowner shall promptly pay the deficiency to the Depository. If such sale or payment produces a net sum greater than the cost (including accrued interest paid as such) of the securities so sold or paid, the Depository shall promptly pay the excess to the Shipowner unless the Depository shall have received written notice from the Secretary that there is then an existing Default. All such securities and the net proceeds of the sale or payment thereof (plus any deficiency paid by the Shipowner, but excluding any excess over cost paid to the Shipowner) shall be held by the Depository for the same purposes as the cash used to purchase the securities.

(d) Any interest on cash or securities (less an amount equal to accrued interest paid upon purchase) held by the Depository shall, unless there is then an existing Default, be promptly paid to the Shipowner.

Section 4.06. Moneys Due in Respect of Construction of the Vessels. (a) So long as the Secretary shall not have paid the Guarantees, in the event that the Shipowner shall from time to time receive moneys described in the Granting Clause of the Special Provisions hereof from the Secretary, the Shipbuilder, its guarantors, sureties, or otherwise, representing moneys which from time to time become due to the Shipowner in connection with the Construction of any Vessel, the Shipowner shall give written notice thereof to the Secretary and shall promptly pay the same over to the Depository, accompanied by written notice to the Depository and the Secretary that such moneys are to be held by the Depository pursuant to the applicable provision of the Depository Agreement. The Depository shall hold such funds until it shall have received written notice from the Secretary as to whether or not said moneys are to be applied to reduce the Actual Cost of such Vessel or Vessels. In the event the Secretary shall determine that all or any portion of such moneys are to be so applied, the Secretary shall give written notice to the Shipowner and the Depository, and the Depository shall pay over such moneys, and the Shipowner shall contribute such additional sums, if any, as the Secretary shall determine, to the Indenture

Trustee in such written notice to the Shipowner and the Depository. The Shipowner and the Secretary shall give the Indenture Trustee written notice stating that such funds (i) shall be applied pursuant to Section 3.04 of Exhibit 1 to the Indenture to redeem the principal amount of Obligations specified therein, and (ii) are to be so applied in order that the principal amount of Obligations that will be Outstanding after such redemption will not exceed the principal amount thereof eligible for Guarantee by the United States under Section 1104(b) (2) of the Act. In the event moneys are received in connection with Construction of any Vessel, the Secretary will redetermine the Actual Cost, and, if referred to in ARTICLE FIRST of the Special Provisions hereof, the Depreciated Actual Cost, of such Vessel, but the Secretary agrees he will not require the redemption of Obligations unless (A) the original principal amount of the Obligations less (B) the aggregate principal amount (as established by an Officer's Certificate of the Shipowner delivered to the Secretary within 10 days of the giving of the written notice of the receipt of such moneys referred to above) of Obligations which either (i) have been redeemed pursuant to any optional redemption provisions of the Indenture and not theretofore credited (whether as a result of any automatic crediting provisions of the Indenture or otherwise) against any redemptions required to be made by any mandatory redemption provisions of the Indenture, (ii) have been acquired by the Shipowner other than pursuant to the redemption provisions of the Indenture and surrendered to the Indenture Trustee for cancellation and not theretofore credited (whether as a result of any automatic crediting provisions of the Indenture or otherwise) against any redemptions required by any mandatory redemption provisions of the Indenture, or (iii) have been redeemed in connection with Section 1104(b) (2) of the Act in accordance with the Indenture, is in excess of the percentage of the aggregate of the Actual Cost or Depreciated Actual Cost, as the case may be, of the Vessel set forth in ARTICLE FIRST of the Special Provisions hereof as so redetermined and all other Vessels then subject to the Security Agreement set forth in ARTICLE FIRST of the Special Provisions as so redetermined. The Shipowner shall give written notice to the Indenture Trustee of all Obligations credited pursuant to the immediately preceding sentence, specifying the number and principal amount of such Obligations so credited, within three days of the determination of the Secretary referred to above; provided that, if Obligations are required to be redeemed in connection with Section 1104(b) (2) of the Act in accordance with the Indenture, the notice of Obligations credited, if any, shall be included in the written notice required to be given to the Indenture Trustee in connection with such redemption. Upon a final determination of Actual Cost in accordance with Section 5.01, any moneys held by the Depository in accordance with this Section 4.06 which are not to be applied for the redemption of Obligations pursuant to Section 3.04 of

Exhibit 1 to the Indenture and hereunder shall, unless there is an existing Default, be paid to the Shipowner.

(b) In the event the Secretary shall have paid the Guarantees, all Moneys Due in Respect of Construction of the Vessels shall be promptly paid to the Secretary for deposit into the Federal Ship Financing Fund and will be applied in accordance with Section 6.05.

ARTICLE V

Actual Cost; The Escrow Fund

Section 5.01. Actual Cost Determinations. The Actual Cost of each Vessel (and the sum of the Actual Cost of all of the Vessels), determined as of the date of this Security Agreement, is as set forth in the Special Provisions hereof. The Secretary agrees that he (1) will make a final determination of the Actual Cost of each Vessel, limited to amounts paid by or for the account of the Shipowner on account of the items (not in excess of the respective amounts of the items) set forth or referred to in the Special Provisions hereof and, to the extent approved by the Secretary, any other items or any increase in the amounts of such set forth or referred to items, such determination to be made as of the time of payment by or for the account of the Shipowner of the full amount of said Actual Cost of such Vessel, excluding any amounts which are not to become due and payable, and (2) will promptly give written notice to the Shipowner, of the results of said final determination; provided that, the Shipowner shall have requested such determination not less than 60 days in advance (unless otherwise agreed by the Secretary) and shall have furnished to the Secretary not less than 30 days in advance of such determination (unless otherwise agreed by the Secretary) a certification by the Shipowner and (unless otherwise agreed by the Secretary) a statement by an independent certified (or, with the consent of the Secretary, an independent) public accountant or firm of accountants of the total amounts paid or obligated to be paid by or for the account of the Shipowner for the Construction of such Vessel, together with a breakdown of such totals according to the items for which paid or obligated to be paid.

Section 5.02. Escrow Fund Disbursement Prior to Termination Date of the Escrow Fund. (a) The Shipowner has simultaneously herewith deposited with the Secretary the amount, if any, indicated in the Special Provisions hereof to be held in the Escrow Fund.

At the time of each sale of additional Obligations after the date hereof, the Shipowner shall deposit with the Secretary in

escrow, and the Secretary shall accept, all or a portion of said proceeds from the sale of such Obligations, in an amount equal to the sums of the following:

(1) the aggregate sum of the excess (if any) calculated for each Vessel separately, of (a) the principal amount of the Proportionate Part of the Outstanding Obligations authenticated to the date of such deposit, including the principal amount of the Obligations being sold at such time, less 75% or 87-1/2%, whichever is applicable under Section 1104 of the Act, of the amount which the Secretary shall determine has been, as of such time, paid by or for the account of the Shipowner for the Construction of such Vessel over (b) the balance on deposit other than for interest or earned income relating to such Vessel at such time in the Escrow Fund; and

(2) interest, as may be required by the Secretary, on the amount of such deposit (computed at the effective rate borne by the Obligations).

(b) Unless the Guarantees, prior to the Termination Date of the Escrow Fund (as hereinafter defined), shall become payable as to the Obligations, the Secretary shall, subject to the provisions of this paragraph (b), within a reasonable time after written Request from the Shipowner disburse from the Escrow Fund directly to the Indenture Trustee, any Paying Agent for such Obligations, the Shipbuilder or any other Person entitled thereto, any amount which from time to time the Shipowner is obligated to pay to the Indenture Trustee, any Paying Agent for such Obligations, the Shipbuilder or such other Person on account of the items and amounts or any other items or increases set forth or referred to in the Special Provisions hereof, and reflected in the Table annexed hereto, provided that --

(1) If the Shipowner shall pay or cause to be paid to the Indenture Trustee, any Paying Agent for such Obligations, the Shipbuilder or such other Person any amount referred to in this paragraph (b), then upon a Request, in form satisfactory to the Secretary, the Secretary shall reimburse the Shipowner therefor the extent of such payment;

(2) No payment or reimbursement under this Section shall be made (A) to any Person until the Construction Fund has been exhausted, (B) to any Person until the total amount paid by or for the account of the Shipowner on account of said items, amounts and increases from sources other than the proceeds of such Obligations equals at least 12-1/2% (or, in the circumstances described in the proviso of this subparagraph (2), 25%) of the Actual Cost of the related Vessel with respect to which such payment is made, (C) to the

Shipbuilder until any estimated net trade-in allowance applicable to such Vessel which is at the time due and payable by the United States to the Shipbuilder pursuant to Section 510 of the Act has been paid to the Shipbuilder on account of Item (1) of the Table annexed hereto, (D) to the Shipbuilder until the Shipowner shall have paid to the Shipbuilder out of its general funds all amounts which at the time are due and payable by the Shipowner on account of charter hire of a vessel traded in pursuant to the foregoing Section 510, (E) to the Shipowner which would have the effect of reducing the total amounts paid, referred to in clause (B) of this subparagraph (2), below the respective minima set forth in said clause, (F) to the Shipowner for reimbursement of any balance of a requested disbursement paid by the Shipowner with respect to such related Vessel pursuant to the last sentence of paragraph (d) of this Section or for reimbursement of any payment to the Shipbuilder referred to in clauses (C) and (D) of this subparagraph (2), or (G) to any Person on account of items or amounts or increases representing changes and extras or owner furnished equipment, if any, set forth in the Table annexed hereto unless such items, amounts or increases shall have been previously approved as to item and amount by the Secretary or the Maritime Administration; provided that, in the event the amount eligible for guarantees, pursuant to Section 1104(b) (2) of the Act, is limited to 75% of the Actual Cost or Depreciated Actual Cost of the related Vessel with respect to which such payment is made, after 50% of the Actual Cost of such Vessel has been paid by or for the account of the Shipowner on account of the above-mentioned items, amounts and increases, the minimum of 12-1/2% set forth in clause (B) of this subparagraph (2) shall be changed to 25% with respect to payments on account of items, amounts and increases relating to such Vessel.

(c) The excess, as determined by the Secretary, of any amount on deposit in the Escrow Fund which represents interest on the principal amount deposited, over the amount of interest due on the next Interest Payment Date on the principal amount as determined by the Secretary remaining on deposit on such Interest Payment Date, may, unless there is an existing Default, be disbursed by the Secretary upon Request of the Shipowner made not more than 10 Business Days prior to such Interest Payment Date or made within at least 60 days after such Interest Payment Date.

(d) The Secretary shall not be required to make any disbursement pursuant to this Section except out of cash available in the Escrow Fund. If sufficient cash is not available to make the requested disbursement, additional cash shall be provided by the maturity or sale of securities in accordance with instructions to be delivered to the Treasury

Department pursuant to Section 5.04. If any sale or payment on maturity shall result in a loss in the principal amount of the Escrow Fund invested in securities so sold or matured, the requested disbursement from the Escrow Fund shall be reduced by an amount equal to such loss and the Shipowner shall, no later than the time for such disbursement, pay to the Indenture Trustee, any Paying Agent, the Shipbuilder or any other Person entitled thereto the balance of the requested disbursement from funds of the Shipowner other than the proceeds of such Obligations.

(e) If, prior to the Termination Date of the Escrow Fund, the Guarantees shall become payable by the Secretary as to the Obligations, all amounts in the Escrow Fund at the time such Guarantees become payable (including realized income which has not yet been paid to the Shipowner) shall be paid into the Federal Ship Financing Fund created by Section 1102 of the Act and be credited against any amounts due or to become due to the Secretary from the Shipowner with respect to all Obligations guaranteed by the Secretary to which this Security Agreement relates. To the extent payment of the Escrow Fund into said Federal Ship Financing Fund is not required, said amounts or any balance thereof shall be paid to the Shipowner.

(f) At any time the Secretary shall have determined that there has been, for any reason, a deposit into or a disbursement from the Escrow Fund contrary to the provisions of this Section, he shall give written notice to the Shipowner of the amount improperly deposited or disbursed, the amount to be deposited or redeposited into the Escrow Fund on account thereof and the reasons for such redetermination. The Shipowner shall thereafter promptly deposit or redeposit, as appropriate, such amount, with interest, if any, required by the Secretary, into the Escrow Fund.

(g) Notwithstanding any other provision of this Section, the Shipowner shall not seek or receive reimbursement for any amount paid to the Shipbuilder by the Secretary under this Section.

(h) In the event that one of the events described in Section 2.09 has occurred with respect to one or more of the Vessels, upon a Request of the Shipowner, approved by the Secretary in writing, moneys remaining on deposit in the Escrow Fund may be withdrawn in whole or in part for one of the following purposes: (1) application as provided in Section 3.05 of Exhibit 1 to the Indenture (but in no event shall any such disbursement for such purpose be in an amount greater than the related Proportionate Outstanding Obligations), (2) payment to the Shipowner, or its order, in the event all Outstanding Obligations are Retired or Paid, other than by payment of the Guarantees, or (3) application

as provided in Section 6.05, if the Secretary shall have paid the Guarantees.

Section 5.03. Disbursement Upon Termination Date of the Escrow Fund. If payments under the Guarantees of the Obligations have not become payable prior to a final determination of Actual Cost of all of the Vessels pursuant to Section 5.01, then upon such determination any balance of the Escrow Fund shall be disbursed by the Secretary as follows:

(1) To the extent that (A) the principal amount of such Obligations originally issued, less (B) the aggregate principal amount (as established by an Officer's Certificate of the Shipowner delivered to the Secretary not less than 60 days in advance of the Termination Date of the Escrow Fund) of such Obligations which either (i) have been or are (as indicated by the giving of a notice of redemption which does not state that it is subject to the receipt of the redemption moneys by the Indenture Trustee or any Paying Agent of the Shipowner for such Obligations) to be Retired or Paid on or before said Termination Date pursuant to Sections 3.02(a), 3.02(b) or 3.05 of Exhibit 1 to the Indenture and not, in the case of redemptions pursuant to Sections 3.02(a) and 3.02(b) of Exhibit 1 to the Indenture, availed of as a credit against redemptions otherwise required to be made pursuant to the sinking fund provisions of Section 3.02(c) of Exhibit 1 to the Indenture, or (ii) have been delivered by the Shipowner to the Indenture Trustee for cancellation to be availed of pursuant to and in full compliance with Section 3.04 of Exhibit 1 to the Indenture shall be in excess of a sum which is (C) the aggregate of 75% or 87-1/2%, whichever is applicable under Section 1104 of the Act, of the Actual Cost of the Shipowner on account of each Vessel limited to amounts paid by or for the account of the Shipowner on account of items (not in excess of the respective amounts of the items) set forth or referred to in the Table annexed hereto and, to the extent approved by the Secretary, any other items or any increase in the amounts of the items set forth or referred to in said Table, as such cost is finally determined by the Secretary, the Escrow Fund shall be paid to the Indenture Trustee, not earlier than 10 days prior to, nor later than the opening of business on the Redemption Date established pursuant to Section 3.04 of Exhibit 1 to the Indenture, accompanied by a copy of the written instructions from the Secretary and the Shipowner previously delivered to the Indenture Trustee in accordance with Section 3.04 of Exhibit 1 to the Indenture.

(2) From the balance remaining after the deduction of the amount equal to the principal amount of Obligations to be redeemed pursuant to Section 3.04 of Exhibit 1 to the

Indenture, an amount equal to the interest accrued to the date fixed for redemption pursuant to said Section 3.04 shall be paid from the Escrow Fund to the Indenture Trustee simultaneously with the payment to the Indenture Trustee of the funds required to redeem Obligations pursuant to paragraph (1) of this Section 5.03, to be applied to the payment of such interest. In the event the balance remaining in the Escrow Fund after giving effect to said paragraph (1) is insufficient to pay the interest accrued to the date fixed for redemption, such balance shall be paid from the Escrow Fund by the Secretary to the Indenture Trustee as aforesaid, and the Shipowner shall, within 5 days of receipt of notice by the Shipowner of the determination by the Secretary of final Actual Cost of the Vessels, deposit into the Escrow Fund an amount equal to the difference between such balance remaining in the Escrow Fund and the total amount required for the payment of accrued interest to the date fixed for redemption pursuant to Section 3.04 of Exhibit 1 to the Indenture.

(3) Any remainder of such balance of the Escrow Fund after giving effect to paragraphs (1) and (2) above shall be paid to the Shipowner; provided, if no disbursement is required to be made pursuant to paragraphs (1) and (2), the Secretary shall disburse the Escrow Fund on or immediately after a final determination of Actual Cost of the Vessels.

Section 5.04. Investment and Liquidation of the Escrow Fund. The Secretary may invest the Escrow Fund in obligations of the United States with such maturities that the Escrow Fund will be available as required for the purposes hereof. The Secretary shall deposit the Escrow Fund into an account with the Treasury Department and deliver to the Treasury Department instructions, after agreement thereto by the Secretary and the Shipowner, except in the case of instructions in connection with payment into the Federal Ship Financing Fund pursuant to Section 5.02(e), for the investment, reinvestment and liquidation of the Escrow Fund. The Secretary shall have no liability to the Shipowner for acting in accordance with such instructions.

Section 5.05. Income on the Escrow Fund. Except as provided in Section 5.02(e), any income realized on the Escrow Fund shall, unless there is an existing Default, be paid to the Shipowner upon receipt by the Secretary of such income. For the purpose of this Section, (i) the term "income realized on the Escrow Fund" shall mean with respect to the Escrow Fund (A) the excess of the cash received from the sale of securities or the payment of securities at maturity (less any losses from sale not made up by payments by the Shipowner pursuant to the last sentence of Section 5.02(d)) over the cost thereof and (B) cash received from the payment of interest on securities, and (ii) the term "upon

receipt by the Secretary" shall mean the time of receipt by the Secretary of advice of the payment of such income by the Treasury Department into the account in which the Escrow Fund has been deposited.

Section 5.06. Termination Date of the Escrow Fund; Extension of the Termination Date. The Escrow Fund will terminate 90 days after the last Delivery Date of a Vessel covered by this Security Agreement (herein called the "Termination Date of the Escrow Fund"). In the event that on such date the payment by or for the account of the Shipowner of the full amount of the aggregate Actual Cost of all of the Vessels set forth or referred to in the Special Provisions hereof has not been made or the amounts in respect of such Actual Cost are not then due and payable, then the Shipowner and the Secretary by letter agreement shall extend the Termination Date of the Escrow Fund for such period as shall be determined by the Shipowner and the Secretary as sufficient to allow for the contingencies hereinabove set forth. If the Secretary shall make a final determination of the aggregate Actual Cost of all of the Vessels in accordance with Section 5.01, the Termination Date of the Escrow Fund shall be deemed to be the date of such final determination; provided however, if, as a result of such final determination, a redemption of Obligations is required pursuant to Section 3.04 of Exhibit 1 to the Indenture, the Termination Date shall be the date specified as the Redemption Date in the notice of redemption given pursuant to Section 3.07 of Exhibit 1 to the Indenture.

ARTICLE VI

Defaults and Remedies

Section 6.01. What Constitutes "Defaults"; Continuance of Defaults. Each of the following events shall constitute a "Default" within the meaning of this Section.

(a) Default in the payment of the whole or any part of the interest on any of the Outstanding Obligations when the same shall become due and payable; or default in the payment of the whole or any part of the principal of any of the Outstanding Obligations when the same shall become due and payable, whether by reason of Maturity, redemption, acceleration, or otherwise, or any default referred to in Section 6.08 of Exhibit 1 to the Indenture; and continuation of such default for a period of 30 days shall constitute and is herein called a "Payment Default". For the purposes of this Security Agreement and the Mortgage only, any corresponding default with respect to the interest on, or the principal of, the Secretary's Note is also deemed to be a Payment Default.

(b) The following shall constitute and each is herein called a "Security Default":

(1) Default by the Shipowner, continued for 5 days, in the payment to the Secretary of the amount of any Guarantee Fee as required by Section 3.02;

(2) Default by the Shipowner in the due and punctual observance and performance of any provision in Sections 2.02, 2.04 (b) and (e), 2.05, 2.06 and 2.15;

(3) Default by the Shipowner continued after written notice specifying such failure by certified or registered mail to the Shipowner from the Secretary in the due and punctual observance and performance of any provision in Sections 2.07 (except paragraphs (g) and (k) thereof), 2.09, 2.11 and 2.12;

(4) Default by the Shipowner continued for 30 days after written notice by certified or registered mail to the Shipowner from the Secretary in the due and punctual observance of any other agreement in this Security Agreement and in the Mortgage;

(5) The Shipowner shall become insolvent or bankrupt or shall cease paying or providing for the payment of its debts generally or the Shipowner shall be dissolved or shall, by a court of competent jurisdiction, be adjudged a bankrupt or shall make a general assignment for the benefit of its creditors or shall lose its charter by forfeiture or otherwise; or a petition for reorganization of the Shipowner under the Bankruptcy Act shall be filed by the Shipowner, or such petition be filed by creditors and the same shall be approved by a court of competent jurisdiction; or a reorganization of the Shipowner under said Act shall be approved by such a court, whether proposed by a creditor, a stockholder or any other Person whomsoever; or a receiver or receivers of any kind whatsoever, whether appointed in admiralty, bankruptcy, common law or equity proceedings, shall be appointed, by a decree of a court of competent jurisdiction, with respect to any Vessel or all or substantially all of the property of the Shipowner, and such decree shall have continued unstayed, on appeal or otherwise, and in effect for a period of 60 days;

(6) Any default in the due and punctual observance and performance of any provision in the Title XI Reserve Fund and Financial Agreement;

(7) Any representation or warranty made in connection with the execution and delivery of this Security Agreement,

the Mortgage or the Title XI Reserve Fund and Financial Agreement or in any certificate required to be furnished pursuant thereto shall prove to be incorrect in a material respect;

(8) Any event constituting a Default under any security agreement or preferred mortgage under the Ship Mortgage Act, 1920, as amended, relating to any other vessel or vessels owned by the Shipowner and financed under Title XI of the Merchant Marine Act, 1936, as from time to time in effect; and

(9) Any additional Security Default prescribed in the Special Provisions hereof.

At any time following the occurrence of a Security Default, the Secretary may give the Indenture Trustee a Secretary's Notice with respect to such Security Default, after which the Indenture Trustee and the Obligees shall have the right to make demand for payment of the Guarantees in accordance with the provisions of the Indenture and the Authorization Agreement.

Section 6.02. Acceleration of Maturity of the Secretary's Note. The Secretary may, by giving written notice to the Shipowner, declare the principal of the Secretary's Note and interest accrued thereon to be immediately due and payable, at any time after the Secretary shall have been obligated to pay the Guarantees pursuant to the terms of the Indenture and the Authorization Agreement. Thereupon the principal of and interest on the Secretary's Note shall become immediately due and payable, together with interest at the same rates for overdue principal.

Section 6.03. Waivers of Default. (a) If the Secretary determines that an event which, with the passage of time, would become a Payment Default has been remedied within 30 days after the occurrence of such event, upon a Request by the Shipowner, he shall waive the consequences of such event.

(b) If the Secretary shall have determined prior to payment of the Guarantees that a Payment Default has been remedied after the expiration of the aforesaid 30-day period but prior to the date of demand by the Indenture Trustee or an Obligee for payment under the Guarantees, upon a Request by the Shipowner, he shall waive such Default.

(c) If the Secretary shall have determined prior to the expiration of the period required for payment of the Guarantees that a Payment Default had not occurred (and prior to any payment of Guarantees), he shall notify the Indenture Trustee and the Shipowner of such determination and upon a Request by the Shipowner, he shall waive such Default.

(d) The Secretary, in his sole discretion, may waive any Security Default or any event which by itself, or with the passage of time or the giving of notice, or both, would give rise to a Security Default; provided that, such Default is waived prior to the Secretary giving to the Indenture Trustee the Secretary's Notice.

(e) The Secretary shall notify the Shipowner and the Indenture Trustee in writing of any determinations made under paragraphs (a), (b) and (c) of this Section 6.03, and the Secretary shall waive the consequences of any such Default and annul any declaration under Section 6.02 and the consequences thereof.

(f) No waiver under this Section shall extend to or affect any subsequent or other Default, nor impair any rights or remedies consequent thereon.

Section 6.04. Remedies After Default. (a) In the event of a Default and before and after the payment of the Guarantees, the Secretary shall have the right to take the Vessels without legal process wherever the same may be (and the Shipowner or other Person in possession shall forthwith surrender possession of the Vessels to the Secretary upon demand) and hold, lay up, lease, charter, operate, or otherwise use the Vessels for such time and upon such terms as he may reasonably deem to be for the best advantage to the Secretary, accounting only for the net profits, if any, arising from the use of the Vessels and charging against all receipts from the use of the Vessels all reasonable charges and expenses in connection with such use of the Vessels.

(b) Upon payment of the Guarantees, the Secretary shall have the right to --

(1) Exercise all the rights and remedies in foreclosure and otherwise given to mortgagees by the Ship Mortgage Act, 1920, as amended;

(2) Bring suit at law, in equity or in admiralty to recover judgment for any and all amounts due under the Secretary's Note, this Security Agreement and the Mortgage, collect the same out of any and all property of the Shipowner, whether or not the same is subject to the lien of the Mortgage, and in connection therewith obtain a decree ordering the sale of any Vessel in accordance with the following subparagraph (4);

(3) Have a receiver of the Vessels appointed as a matter of right in any suit under this Section (and any such receiver may have the rights of the Secretary under the following subparagraph (4));

(4) Sell any Vessel, free from any claim of the Shipowner, by public sale with sealed bids, held at such time and place and in such manner as the Secretary may reasonably deem advisable, after first publishing notice of the time and place of such sale for 10 consecutive Business Days in the Authorized Newspapers, and mailing a copy of such notice, by registered or certified mail, to the Shipowner at its last known address, the first such publication and mailing to be made at least 30 days prior to the date fixed for such sale; provided that, such sale may be adjourned from time to time without further publication or notice (other than announcement at the time and place appointed to such sale or adjourned sale). It shall not be necessary to bring any such Vessel to the place appointed for such sale or adjourned sale;

(5) Accept a conveyance of title to, and to take without legal process (and the Shipowner or other Person in possession shall forthwith surrender possession to the Secretary), the whole or any part of any Vessel and the Security wherever the same may be, and to take possession of and to hold the same;

(6) In his discretion, take any and all action authorized by Sections 1105(c), 1105(e) and 1108(b) of the Act and, to the extent not in express conflict with action authorized by said Sections 1105(c), 1105(e) and 1108(b), or with this Section 6.04, any and all action provided for or authorized or permitted by or in respect of the Secretary's Note, this Security Agreement, the Vessels, the Security, the Escrow Fund, the Construction Fund, the Title XI Reserve Fund, the proceeds received by the Secretary pursuant to Section 6.05, clause Seventh of any other security agreement between the Secretary and the Shipowner relating to any other vessel or vessels financed under Title XI of the Merchant Marine Act, 1936, as in effect from time to time and the Policies of Insurance (said documents, funds and assets being herein called the "Increased Security"), including all action provided for in or authorized or permitted by or in respect of the Increased Security;

(7) Receive, in the event of an actual or constructive total loss or an agreed or compromised total loss or a requisition of title to or use of any Vessel, all insurance or other payments therefor to which the Shipowner would otherwise be entitled, such insurance moneys to be applied by the Secretary in accordance with the interest of the Secretary as provided in Section 7.01 and, if any balance remains, in accordance with the interest of the Shipowner as provided in Section 7.02; and

(8) Pursue to final collection all claims arising under, and to collect such claims from, the Increased Security;

(c) The Shipowner hereby irrevocably appoints the Secretary the true and lawful attorney of the Shipowner, in its name and stead, to make all necessary transfers of the whole or any part of the Increased Security in connection with a sale, use or other disposition pursuant to paragraph (a) or (b) of this Section, and for that purpose to execute all necessary instruments of assignment and transfer. Nevertheless, the Shipowner shall, if so requested by the Secretary in writing, ratify and confirm such sale by executing and delivering to any purchaser of the whole or any part of the Increased Security such proper bill of sale, conveyance, instrument of transfer or release as may be designated in such request.

(d) No remedy shall be exclusive of any other remedy, and each and every remedy shall be cumulative and in addition to any other remedy.

(e) No delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Default.

(f) The exercise of any right or remedy shall not constitute an election of remedies by the Secretary.

(g) If the Secretary discontinues any proceeding, the rights and remedies of the Secretary and of the Shipowner shall be as though no such proceeding had been taken.

Section 6.05. Application of Proceeds. (1) The proceeds (from sale or otherwise) of the whole or any part of the Increased Security and use thereof by the Secretary under any of the foregoing powers, (2) the proceeds of any judgment collected by the Secretary for any default hereunder, (3) the proceeds of any insurance and of any claim for damages to the whole or any part of the Increased Security received by the Secretary while exercising any such power, and (4) all other amounts received by the Secretary, including amounts which are required by Sections 2.07 and 2.09 or otherwise to be applied as provided in this Section, shall be applied by the Secretary as follows:

First - to the payment of the Guarantee Fee, if any, due and payable to the Secretary pursuant to the provisions of Section 3.02;

Second - to the payment of all sums of money due and unpaid and secured by the Mortgage or this Security Agreement;

Third - to the payment of all advances by the Secretary pursuant to this Security Agreement and all reasonable charges and expenses of the Secretary;

Fourth - to the payment of the whole amount of the interest then due and unpaid upon the Secretary's Note;

Fifth - to the payment of the whole amount of the principal then due and unpaid upon the Secretary's Note;

Sixth - to the Indenture Trustee for its reasonable fees and expenses;

Seventh - to the Secretary for application to any other debt of the Shipowner due the Secretary under any other financing insured or guaranteed by the Secretary pursuant to the Merchant Marine Act, 1936, as from time to time in effect; and

Eighth - any balance thereof remaining shall be paid to the Shipowner.

Section 6.06. General Powers of Secretary. (a) In the event any Vessel shall be arrested or detained by a marshal or other officer of any court of law, equity or admiralty jurisdiction in any country or nation of the world or by any government or other authority and shall not be released from arrest or detention within 15 days from the date of arrest or detention, the Shipowner hereby authorizes the Secretary, in the name of the Shipowner, to apply for and receive possession of and to take possession of such Vessel with all the rights and powers that the Shipowner might have, possess and exercise in any such event. This authorization is irrevocable.

(b) The Shipowner irrevocably authorizes the Secretary or its appointee (with full power of substitution) to appear in the name of the Shipowner in any court of any country or nation of the world where a suit is pending against the whole or any part of the Increased Security because of or on account of any alleged lien or claim against the whole or any part of the Increased Security from which the whole or said part of the Increased Security has not been released.

(c) All reasonable expenses incurred pursuant to paragraphs (a) or (b) of this Section together with interest at a rate equal to the greater of: (a) the sum of the effective rate borne by the Obligations and the rate of the Guarantee Fee computed in accordance with Section 3.02, or (b) the sum of the interest rate the Department of Treasury would charge the Federal Ship Financing Fund for a similar borrowing of like maturity and the rate of the Guarantee Fee computed in accordance with Section

3.02, shall constitute a debt due from the Shipowner to the Secretary and shall be repaid by the Shipowner upon demand. The Secretary shall not be obligated to (nor be liable for his failure to) take any action provided for in the foregoing paragraphs (a) and (b).

ARTICLE VII

Rights of Secretary and Shipowner

Section 7.01. The Interest of the Secretary. The interest of the Secretary in the Increased Security, and any cash, securities or other property (other than property purchased by the Secretary at foreclosure proceedings or other public sale and any payments or receipts from the requisition, sale, charter, operation or other use or disposition of any such property accrued after the time of acquisition of title at such proceedings or sale, all of which property, payments and receipts shall belong to and vest exclusively in the Secretary), which may at any time be collected, received, realized or held by or for the Secretary (or others) in respect thereof (including payments referred to in Section 6.04(b)(4) and any excess Guarantee Fee held by the Secretary and not refundable to the Shipowner under the provisions of Section 3.02), shall be equal to, but not in excess of, an amount equal to the total of --

(1) the Guarantee Fee, if any, due and payable to the Secretary pursuant to the provisions of Section 3.02;

(2) the expenses (including administrative expenses) incurred and advances and disbursements made by the Secretary (or the United States) in the assertion, protection, pursuit and/or enforcement of the rights and remedies, or any of them, stated in Sections 6.04 and 6.06, and all other expenses (including administrative expenses) incurred and advances and disbursements made by the Secretary (or the United States) in connection with the Increased Security or otherwise (other than those incurred or made in respect of the purchase of any Vessel by the Secretary of foreclosure proceedings or other public sale, after the time of acquisition of title at such foreclosure proceedings or other public sale);

(3) an amount equal to the amount of interest which is due and payable upon the Secretary's Note;

(4) an amount equal to the amount of principal which is due or will become due and payable upon the Secretary's Note;

after deducting therefrom all credits, if any, under Section 1108(b) of the Act and all cash payments theretofore made to the Secretary on account of said items; and such interest shall be discharged and satisfied in full before discharging and satisfying any interest of the Shipowner.

Section 7.02. The Interest of the Shipowner. The interest of the Shipowner, including its interest for the purpose of asserting, protecting, pursuing or enforcing any or all of the rights in or under the Increased Security, and any cash, securities or other property (other than property purchased by the Secretary at foreclosure proceedings or other public sale, and any payments or receipts from the requisition, sale, charter, operation or other use or disposition of any such property accrued after the time of acquisition of title at such proceedings or sale, all of which property, payment or receipts shall, as stated above, belong to and vest exclusively in the Secretary), which may at any time be collected, received, realized or held by or for the Secretary (or others) in respect thereof (including payments referred to in Section 6.04(b)(4), and any excess Guarantee Fee held by the Secretary and not refundable to the Shipowner under Section 3.02), shall except as otherwise provided in the Special Provisions hereof, be a residual interest after full discharge and satisfaction of the interest of the Secretary, as provided in Section 7.01, and the Secretary shall promptly pay or otherwise account therefor to the Shipowner.

Section 7.03. Interest in Funds Held by the Indenture Trustee. The Secretary shall at no time have any right or interest in or in respect of (i) any funds held at any time by the Indenture Trustee under the Indenture for payment of the Obligations or (ii) any funds held by the Indenture Trustee in respect of Obligations which shall have been Retired or Paid within the meaning of the Indenture.

ARTICLE VIII

Amendments and Supplements to the Security Agreement, Mortgage and Indenture

Section 8.01. Amendments and Supplements to the Security Agreement and the Mortgage. This Security Agreement and the Mortgage may not be amended or supplemented orally but may be amended or supplemented from time to time by an instrument in writing executed by the Shipowner and the Secretary.

Section 8.02. Waiver of Security Agreement Provisions. The benefits to or rights of the Secretary under any provision of this Security Agreement may be waived in writing by the Secretary

either upon Request by the Shipowner or in his discretion with 15 days' prior notice.

Section 8.03. Amendments and Supplements to the Indenture. Notwithstanding any provisions in the Indenture, the Shipowner agrees that no amendments or supplements will be made to the Indenture without the prior written consent of the Secretary and any purported action or attempt to take action forbidden to be taken by this Section shall be null and void and of no force and effect.

ARTICLE IX

Consolidation, Merger and Sale

Section 9.01. Consolidation, Merger and Sale, Etc.

(a) Nothing in this Security Agreement or the Mortgage shall prevent any lawful consolidation or merger of the Shipowner with or into any other Person or any sale of any Vessel to any other person lawfully entitled to acquire or operate such Vessel; provided that, the Secretary shall have given his prior written consent to such succession, merger, consolidation or sale.

(b) The Person formed by or surviving such consolidation or merger, or to which such sale shall have been made (herein called the "Successor"), shall, by indenture supplemental to the Indenture, and by instrument amending or supplementing this Security Agreement, and the Mortgage, as may be necessary, expressly assume the payment of the principal of (and premium, if any) and interest on the Outstanding Obligations in accordance with the terms of the Obligations, shall execute and deliver to the Secretary, a Secretary's Note in form satisfactory to the Secretary, shall expressly assume the payment of the principal of and interest on the Secretary's Note, and also shall expressly assume the performance of the agreements of the Shipowner in the Indenture, this Security Agreement and the Mortgage.

(c) With the prior written consent of the Secretary, any such sale may be on such terms as to release the Shipowner immediately prior to such sale from all its obligations under the Indenture, this Security Agreement, the Mortgage and the Secretary's Note. In such event, the Secretary, if so requested by the Shipowner, and as may be necessary, shall execute and deliver such instruments as may be deemed by the Shipowner to be reasonably necessary or appropriate to give effect to and confirm such release.

(d) Upon any such consolidation, merger, sale, appointment or designation, (A) the Successor shall succeed to and be substituted for the Shipowner with the same effect as if it had

been named herein and (B) the Secretary shall consent to the surrender of the document of any Vessel pursuant to Subsection O of the Ship Mortgage Act, 1920, as amended; provided that, concurrently with such surrender, such Vessel shall be redocumented under the laws of the United States and all endorsements necessary and proper to preserve the preferred status of the Mortgage shall be made upon the new documents of such Vessel, when issued.

ARTICLE X

Notices

Section 10.01. Notices. Except as otherwise provided in this Security Agreement or by the Act, all notices, requests, demands, directions, consents, waivers, approvals or other communications may be made or delivered in person or by registered or certified mail, postage prepaid, addressed to the party at the address of such party specified in the Special Provisions hereof, or at such other address as such party shall advise each other party by written notice, and shall be effective upon receipt by the addressee thereof.

Section 10.02. Waivers of Notice. In any case where notice by publication, mail or otherwise is provided for by this Security Agreement, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be deemed the equivalent of such notice.

Section 10.03. Change of Name. The Shipowner shall not change its name without first notifying the Secretary of the new name and the change in address, if any.

ARTICLE XI

Discharge of Security Agreement and the Mortgage

Section 11.01. Discharge of Security Agreement and the Mortgage. (a) If the Obligations and the related Secretary's Note shall have been satisfied and discharged and if the Shipowner shall pay or cause to be paid all other sums that may have become secured under this Security Agreement and the Mortgage, then this Security Agreement, the Mortgage and the liens, estate and rights and interests hereby and thereby granted shall cease, determine, and become null and void, and the Secretary, on Request of the Shipowner and at the Shipowner's cost and expense, shall forthwith cause satisfaction and discharge of this Security Agreement and the Mortgage to be entered upon its and other

appropriate records and shall execute and deliver to the Shipowner such instruments as may be necessary, duly acknowledging the satisfaction and discharge of this Security Agreement and the Mortgage, and forthwith the estate, right, title and interest of the Secretary in and to the Security, the Increased Security and any other securities, cash, and any other property held by it under this Security Agreement and the Mortgage shall thereupon cease, determine and become null and void, and the Secretary shall transfer, deliver and pay the same to the Shipowner.

(b) If all of the Guarantees on the Outstanding Obligations shall have been terminated pursuant to Section 3.05(2) or (4), the Secretary shall assign forthwith to the Shipowner this Security Agreement, the Mortgage and the liens, estate, rights and interests hereby and thereby granted.

ARTICLE XII

Miscellaneous

Section 12.01. Successors and Assigns. All the covenants, promises, stipulations and agreements of the Shipowner in this Security Agreement shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Secretary and his successors and assigns, and all the covenants, promises, stipulations and agreements of the Secretary in this Security Agreement shall bind the Secretary and his successors and assigns, and shall inure to the benefit of the Shipowner and its successors and assigns, whether so expressed or not. This Security Agreement is for the sole benefit of the Shipowner, the Secretary and their respective successors and assigns, and no other Person shall have any right hereunder.

Section 12.02. Execution in Counterparts. This Security Agreement may be executed in any number of counterparts. All such counterparts shall be deemed to be originals and shall together constitute out one and the same instrument.

Section 12.03. Rights of Shipowner in Absence of Default. Except during the existence of a Default (unless the Shipowner shall have failed to perform any of its agreements under Section 2.04 and such failure shall be continuing at the time in question), the Shipowner (1) shall be suffered and permitted to retain actual possession and use of the Vessel and (2) shall have the right, from time to time, in its discretion and without the consent of or release by the Secretary, to dispose of, free from the lien hereof and of the Mortgage, any and all engines, machinery, masts, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps,

pumping and other equipment, and all other appurtenances to the Vessels, and also any and all additions, improvements and replacements in or to the Vessels or said appurtenances, after, except with the prior written consent of the Secretary, first or simultaneously replacing the same with items of at least substantially equal value.

Section 12.04. Surrender of Vessels' Documents. The Secretary shall consent to the surrender of each Vessel's documents in connection with any redocumentation of such Vessel required on account of alterations to such Vessel which, as stated in an Officer's Certificate delivered to the Secretary, are not prohibited by this Security Agreement and by the Mortgage.

Section 12.05. No Waiver of Preferred Status. No provision of this Security Agreement or of the Mortgage shall be deemed to constitute a waiver by the Secretary of the preferred status of the Mortgage given by Subsection M of the Ship Mortgage Act, 1920, as amended, and any provision of this Security Agreement or of the Mortgage which would otherwise constitute such a waiver shall to such extent be of no force or effect.

Section 12.06. Regulations Inapplicable. None of the regulations heretofore or hereafter issued, whether or not under Title XI of the Act, is a part of or affects this Security Agreement in any respect, and the provisions of this Security Agreement shall control notwithstanding the provisions of any such regulations.

Section 12.07. Table of Contents, Titles and Headings. The table of contents, and titles of the Articles and the headings of the Sections are not a part of this Security Agreement and shall not be deemed to affect the meaning or construction of any of its provisions.

Form of Secretary's Note

EXHIBIT 2
to
Security Agreement

SECRETARY'S NOTE

PROMISSORY NOTE

from

AMERICAN COMMERCIAL LINES, INC.

to

THE UNITED STATES OF AMERICA

Dated July 31, 1980

Secretary's Note shall be discharged to the extent of such payment of principal; *provided* that to the extent that any such payment has been made with moneys advanced or loaned to the Shipowner by the Secretary, such payment on the Obligations shall not, as to such amount, constitute payment of principal or interest on the Secretary's Note and the same shall not in any manner be discharged as to such amount, and to the extent of such non-discharge of the Secretary's Note an endorsement satisfactory to the Secretary shall be placed on such Note.

The principal of this Secretary's Note and the interest thereon may be declared or may become due and payable by declaration of the Secretary at any time after the Secretary shall have been obligated to pay the Guarantees pursuant to the terms of the Indenture and the Authorization Agreement. Thereupon, the unpaid balance of the principal of and the interest on this Secretary's Note shall become due and payable, together with interest thereon at the same rates for overdue principal

This Secretary's Note is non-negotiable and is not assignable or transferable and shall be cancelled by the Secretary and surrendered to the Shipowner if all Outstanding Obligations are paid or otherwise as required by the provisions of Section 3.04 of Exhibit 1 to the Security Agreement

IN WITNESS WHEREOF, the Shipowner has caused this Secretary's Note to be executed by its duly authorized officers under its Corporate Seal this 31st day of July, 1980

AMERICAN COMMERCIAL LINES, INC.
as Shipowner

By

[SEAL]

Attest:

.....

**Form of First Preferred
Fleet Mortgage**

**EXHIBIT 3
to
Security Agreement**

ACKNOWLEDGMENT

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss. :

On the day of , 19 before me personally appeared , to me known, who being by me duly sworn, did depose and say that he resides at , that he is of AMERICAN COMMERCIAL LINES, INC , the corporation described in and which executed the foregoing instrument ; that he knows the seal of said corporation , that the seal affixed to said instrument is such corporation's seal , that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority

.....
Notary Public

[NOTARIAL STAMP AND SEAL]

become null and void and the Secretary on the Request of the Shipowner and at the Shipowner's cost and expense, shall forthwith cause satisfaction and discharge of this Mortgage to be entered upon its and other appropriate records and shall execute and deliver to the Shipowner such instruments as may be necessary to duly acknowledge the satisfaction and discharge of this Mortgage

ARTICLE THIRD

For the purpose of endorsement of this First Preferred Fleet Mortgage on the document of the Vessels as required by law (Subsection D of the Ship Mortgage Act 1920 as amended) the total amount is Twenty Four Million Dollars (\$24,000,000) and interest and performance of mortgage covenants, the date of maturity is July 15, 2004, and the discharge amount is the same as the total amount and although it is not intended that the Mortgage include any property other than the Vessels, and if any determination is made at any time that for any reason this Mortgage does include any property other than a "vessel" within the meaning of Subdivision (e) of the Subsection D of the Ship Mortgage Act 1920 as amended then such property may be separately discharged from the lien of the Mortgage by the payment of 01% of the mortgage indebtedness, but in no event shall such discharge be construed to discharge such property from the lien of the Security Agreement as opposed to the Mortgage. Each Vessel may be separately discharged by payment of the percentage of the outstanding mortgage indebtedness obligations set forth opposite such Vessel in Schedule A hereto

IN WITNESS WHEREOF, this instrument has been executed and delivered on the day and year first above written.

AMERICAN COMMERCIAL LINES, INC.
as Shipowner

.....

[SEAL]

Attest.

.....
Secretary

The Shipowner hereby agrees with the Mortgagee that each and every Vessel now or at any time subject to the lien of the Mortgage is to be held by the Mortgagee subject to the further agreements and conditions hereinafter set forth.

ARTICLE FIRST

Section 1. The execution and delivery of this Mortgage (together with the "Affidavit of Good Faith of Mortgagor" annexed hereto) and the execution and delivery of the Secretary's Note have each been duly authorized by the Shipowner and are not in contravention of any indenture or undertaking to which the Shipowner is a party or by which it is bound.

Section 2. All of the covenants and agreements on the part of the Shipowner including, without limitation, those relating to: maintenance of United States citizenship; organization and existence of the Shipowner; title to and possession of the Vessel, sale, transfer or charter of the Vessel; taxes; liens; documentation of the Vessel; material changes in the Vessel; compliance with applicable laws; maintenance of marine insurance; requisition of title; and compliance with the Ship Mortgage Act, 1920, as amended, which are set forth in, and all of the rights, immunities, powers and remedies of the Secretary which are provided for in, the Security Agreement (including the Special Provisions thereof and the General Provisions of Exhibit 1 thereto) except for the Granting Clause thereof, together with all other provisions of the Security Agreement, are incorporated herein by reference with the same force and effect as though set forth at length in this Mortgage and true copies of the forms of the Special Provisions of Schedule X and Exhibit 1 to the Security Agreement and Amendment No. 2 to and Restatement of the Title XI Reserve Fund and Financial Agreement are annexed hereto

Section 3. A Default pursuant to the provisions of the Security Agreement shall constitute a Default hereunder and shall give the Mortgagee the rights and remedies established by the Ship Mortgage Act, 1920, as amended, and as provided in the Security Agreement

Section 4. This instrument is executed as and shall constitute an instrument supplemental to the Security Agreement and shall be construed in connection with, and as a part of, the Security Agreement.

ARTICLE SECOND

Section 1. This Mortgage may be executed in any number of counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

Section 2. All the covenants, promises, stipulations and agreements of the Shipowner in this Mortgage shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Mortgagee and its successors and assigns, and all the covenants, promises, stipulations and agreements of the Mortgagee contained herein shall bind the Mortgagee and its successors and assigns and shall inure to the benefit of the Shipowner and its successors and assigns, whether so expressed or not.

Section 3. Any term used herein which is defined in the Security Agreement and which is not specifically defined herein shall have the meaning specified in the Security Agreement unless the context otherwise requires

Section 4. No provision of this Mortgage or of the Security Agreement shall be deemed to constitute a waiver by the Mortgagee of the preferred status of the Mortgage given by Subsection M of the Ship Mortgage Act, 1920, as amended, and any provision of this Mortgage or of the Security Agreement which would otherwise constitute such a waiver shall to such extent be of no force or effect

Section 5. If the Secretary's Note shall have been satisfied and discharged and if the Shipowner shall pay or cause to be paid all other sums that may have become secured under the Security Agreement and this Mortgage, then this Mortgage and the estate and rights hereunder shall cease, determine and

THIS FIRST PREFERRED FLEET MORTGAGE is made and dated July 31, 1980 by AMERICAN COMMERCIAL LINES INC., a Delaware corporation (the "Shipowner"), to the UNITED STATES OF AMERICA represented by the Secretary of Commerce, acting by and through the Assistant Secretary of Commerce for Maritime Affairs (the "Secretary")

WHEREAS, the Shipowner is the sole owner of the whole or the Vessels listed in Schedule A hereto as more fully described in the Granting Clause below:

WHEREAS, the Shipowner has, in consideration of the issuance of certain Guarantees by the Secretary pursuant to Title XI of the Merchant Marine Act, 1936, as amended ("Title XI"), of the payment of the unpaid interest on and the unpaid balance of the principal of the "United States Government Guaranteed Ship Financing Bonds—1980 Issue" issued by the Shipowner in the aggregate principal amount of \$24,000,000 (the "Obligations"), and pursuant to the terms and provisions of that certain Security Agreement dated the date hereof, between the Shipowner and the Secretary (herein, as the same may be amended or supplemented, called the "Security Agreement"), issued and delivered to the Secretary its promissory note dated the date hereof, in the principal amount of \$24,000,000 (said promissory note, in the form attached to the Security Agreement as Exhibit 2 thereto, herein called the "Secretary's Note") and has agreed to execute and deliver this First Preferred Fleet Mortgage to the Secretary (hereinafter referred to in this Mortgage as the "Mortgagee") for the purpose of securing the payment of the principal of and interest on the Secretary's Note in accordance with its terms, the Security Agreement and this Mortgage (this Mortgage, as the same may hereafter be amended or supplemented in accordance with the terms hereof, herein called the "Mortgage");

NOW, THEREFORE, THIS MORTGAGE WITNESSETH:

That, in consideration of the premises and of the additional covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and as security for the Guarantees and in order to secure the payment of the above-mentioned interest on and principal of the Secretary's Note and all other sums that may be secured by the Mortgage and the Security Agreement, and to secure the due performance and observance of all the agreements and covenants in the Secretary's Note and herein contained, the Shipowner has granted, conveyed, mortgaged, pledged, confirmed, assigned, transferred and set over, and by these presents does grant, convey, mortgage, pledge, confirm, assign, transfer and set over unto the Mortgagee, the whole of the vessels described in Schedule A attached hereto duly documented in the name of the Shipowner under the laws of the United States having their home ports at the port of Louisville, Kentucky or Wilmington, Delaware, together with in the case of each vessel, all its engines, boilers, machinery, masts, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps, pumping and other equipment and all other appurtenances thereto now or at any time hereafter appertaining or belonging and whether on board or not on board and also any and all additions, improvements and replacements hereafter made in or to each of said vessels or in and to, in the case of each vessel, its equipment and appurtenances as aforesaid (said vessels, together with all the foregoing, herein called the "Vessels" and the term "Vessel" whenever used herein shall apply with equal force to each of the Vessels); *provided, however*, that the foregoing shall not include any property which is not the property of the Shipowner under the terms of the Charter

To HAVE AND TO HOLD, all and singular, the above mortgaged and described property unto the Mortgagee, to its own use, benefit and behoof forever;

PROVIDED, HOWEVER, and these presents are upon the condition that, if the above-mentioned principal of and interest on the Secretary's Note are paid in accordance with the terms thereof, the Security Agreement and this Mortgage, and all other sums that may be secured by the Security Agreement and this Mortgage are paid in accordance with their terms, then this Mortgage and the estate and rights hereunder shall cease, determine and be void, otherwise to remain in full force and effect.

EXHIBIT 3
to
Security Agreement

Contract No. MA-9394

FIRST PREFERRED FLEET MORTGAGE

Dated July 31, 1980

AMERICAN COMMERCIAL LINES, INC.,
Shipowner

to

THE UNITED STATES OF AMERICA

AFFIDAVIT OF GOOD FAITH OF MORTGAGOR

STATE OF NEW YORK)
COUNTY OF NEW YORK } ss

 being duly sworn, deposes and says that he is of AMERICAN COMMERCIAL
LINES, INC., the corporation described in and which executed the foregoing Mortgage as mortgagor, that
the said Mortgage is made in good faith and without any design to hinder, delay or defraud any existing
or future creditor of said AMERICAN COMMERCIAL LINES, INC., or any lienor of the mortgaged Vessels
and that this affidavit is made pursuant to authority of the Board of Directors of said AMERICAN COM-
MERCIAL LINES, INC

.. . . .

Subscribed and sworn to before me this day of
 , 19

... ..
 Notary Public

SCHEDULE A

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Chemical	Chem 110	584490	Jeffersonville Indiana	1977	835/835	.013162
Barge, Chemical	Chem 111	584491	Jeffersonville Indiana	1978	835/835	.013162
Barge, Chemical	Chem 112	584492	Jeffersonville Indiana	1978	835/835	.013162
Barge, Chemical	Chem 113	594493	Jeffersonville Indiana	1978	835/835	.013162
Barge, Chemical	Chem 114	584494	Jeffersonville Indiana	1978	835/835	.013162
Barge, Chemical	Chem 115	584495	Jeffersonville Indiana	1978	835/835	.0130416
Barge, Chemical	Chem 116	584496	Jeffersonville Indiana	1978	835/835	.0130416
Barge, Chemical	Chem 117	584497	Jeffersonville Indiana	1978	835/835	.0130416
Barge, Chemical	Chem 118	584498	Jeffersonville Indiana	1978	835/835	.0130416
Barge, Chemical	Chem 119	584499	Jeffersonville Indiana	1978	835/835	.0130416
Barge, Chemical	Chem 120	593014	Jeffersonville Indiana	1978	835/835	.0128333
Barge, Chemical	Chem 121	593015	Jeffersonville Indiana	1978	835/835	.0128333
Barge, Chemical	Chem 122	593016	Jeffersonville Indiana	1978	835/835	.0128333
Barge, Chemical	Chem 123	593017	Jeffersonville Indiana	1978	835/835	.0128333
Barge, Chemical	Chem 124	593018	Jeffersonville Indiana	1978	835/835	.0128333
Barge, Chemical	Chem 125	593019	Jeffersonville Indiana	1978	835/835	.0128333

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate¹ Tonnage Gross/Net -</u>	<u>Release Percentage</u>
Barge, Chemical	Chem 126	593020	Jeffersonville Indiana	1978	835/835	.0128333
Barge, Chemical	Chem 127	593021	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Chemical	Chem 128	593022	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Chemical	Chem 129	593023	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Chemical	Chem 130	593024	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Chemical	Chem 131	593025	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Chemical	Chem 132	593026	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Chemical	Chem 133	593027	Jeffersonville Indiana	1978	835/835	.0129583
Barge, Covered Hopper	ACBL 3200	604025	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3201	604026	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3202	604027	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3203	604028	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3204	604029	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3205	604030	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3206	604031	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3207	604032	Jeffersonville Indiana	1979	986/986	.0087083

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Covered Hopper	ACBL 3208	604033	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3209	604034	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3210	604035	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3211	604036	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3212	604037	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3213	604038	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3214	604039	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Open Hopper	ACBL 110	604010	Jeffersocville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 111	604011	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 112	604112	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 113	604113	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 114	604114	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 115	604115	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 116	604116	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 117	604017	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 118	604018	Jeffersonville Indiana	1979	729/729	.0072083

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Open Hopper	ACBL 119	604019	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 120	604020	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 121	604021	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 122	604022	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 123	604023	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Open Hopper	ACBL 124	604024	Jeffersonville Indiana	1979	729/729	.0072083
Barge, Covered Hopper	ACBL 3215	604040	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3216	604041	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3217	604042	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3218	604043	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3219	604044	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3220	604045	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3221	604046	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3222	604047	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3223	604048	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3224	604049	Jeffersonville Indiana	1979	986/986	.0087083

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Covered Hopper	ACBL 3225	606610	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3226	606611	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3227	606612	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3228	606613	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3232	606617	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Open Hopper	ACBL 1871	609318	Jeffersonville Indiana	1979	729/729	.0074166
Towboat	Thruston Morton	594624	Jeffersonville Indiana	1978	623/423	.0971829
Towboat	Robert Koch	598151	Jeffersonville Indiana	1978	623/423	.0937777

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Open Hopper	ACBL 1850	606600	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1851	606601	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1852	606602	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1853	606603	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1854	606604	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1855	606605	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1856	606606	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1857	606607	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1858	606608	Jeffersonville Indiana	1980	798/798	.007625
Barge, Open Hopper	ACBL 1859	606609	Jeffersonville Indiana	1980	798/798	.007625
Barge, Covered Hopper	ACBL 3229	606614	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3230	606615	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3231	606616	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Covered Hopper	ACBL 3233	606618	Jeffersonville Indiana	1979	986/986	.0087083

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Covered Hopper	ACBL 3234	606619	Jeffersonville Indiana	1979	986/986	.0087083
Barge, Open Hopper	ACBL 1870	609317	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1872	609319	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1873	609320	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1874	609321	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1875	609322	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1876	609323	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1877	609324	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1878	609325	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1879	609326	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1880	609327	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1881	609328	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1882	609329	Jeffersonville Indiana	1979	729/729	.0074166
Barge, Open Hopper	ACBL 1883	609330	Jeffersonville Indiana	1979	729/729	.0074166

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>	<u>Release Percentage</u>
Barge, Open Hopper	ACBL 1884	609331	Jeffersonville Indiana	1979	729/729	.0074166
Towboat	R. W. Greene	619977	Jeffersonville Indiana	1980	947/643	.1233713
Towboat	Bill Carneal	610971	Jeffersonville Indiana	1979	947/643	.1091414

**Form of Opinion
of
Counsel for Shipowner**

**EXHIBIT A
to
The Mortgage**

FORM OF OPINION OF COUNSEL FOR SHIPOWNER

Secretary of Commerce
c/o Assistant Secretary of Commerce
for Maritime Affairs
Maritime Administration
Department of Commerce
Washington, D. C. 20230

Dear Secretary:

With reference to the United States Government Guaranteed Ship Financing Bonds—1980 Issue (the "*Obligations*") issued by AMERICAN COMMERCIAL LINES, INC (the "*Shipowner*") with respect to the barges and towboats referred to in the First Preferred Fleet Mortgage dated the date hereof between the Shipowner and the United States of America represented by the Secretary of Commerce acting by and through the Assistant Secretary of Commerce for Maritime Affairs (the "*Secretary*") we have acted as special counsel to the Shipowner. Unless otherwise indicated, the terms herein shall have the meaning assigned to them in Schedule X referred to in the Mortgage.

In this connection, we have examined originals or photostatic or certified copies of all such agreements and other instruments, certificates (the term "certificates" being intended to include affidavits of citizenship) of officers of the Shipowner and the Charterer and of all such other documents as we have deemed relevant and necessary as the basis of our opinion hereinafter set forth. In such examination we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals and the conformity with the originals of all documents submitted to us as copies. As to any question of fact material to such opinion, we have, when relevant facts were not independently established, relied upon certificates of officers of the Shipowner and the Charterer. Moreover, as to the opinions expressed in paragraph 6 insofar as they relate to the Interstate Commerce Commission, we have relied on the opinion of Messrs. LaRoe, Winn & Moerrman dated the date hereof and addressed to us, a copy of which is attached hereto, and upon which opinion we believe you and we are entitled to rely.

Based upon the foregoing and subject to the legal consideration which we deem relevant, we are of the opinion that:

1. The Shipowner has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with full power, authority and legal right to own its properties and assets and to conduct its business as the same is presently being conducted;

2. The Shipowner is a citizen of the United States within the meaning of Section 2 of the Shipping Act, 1916, as amended, for the purpose of operating the Vessels in the trade in which they are being operated;

3. The Shipowner is the sole owner of the whole of the Vessels free and clear of any claim, lien, mortgage or other encumbrance of any character, subject to (A) the Mortgage; (B) any rights of the United States of America under the Security Agreement, and (C) to such liens of the character not prohibited by Section 204(a) of Exhibit 1 to the Security Agreement incorporated by reference into the Mortgage, as may now exist. To the extent that this opinion relates to freedom and clearance of claims, liens, mortgages or other encumbrances of any character on the Vessels, we have relied solely upon the certificates as to such matters, of the Shipbuilder, and the Shipowner dated the date hereof;

4 The Mortgage has been duly and validly authorized, executed and delivered by the Shipowner and constitutes in accordance with its terms a legal, valid and binding instrument enforceable against the Shipowner, except as limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally;

5 The Vessels have been duly documented in the name of the Shipowner under the laws of the United States of America, and the Mortgage has been duly recorded in the appropriate office of the United States Coast Guard, at Louisville, Kentucky and Wilmington, Delaware (the only offices in which such recording is necessary), and when duly endorsed on each Vessel's document will constitute a first "preferred mortgage" under the Ship Mortgage Act, 1920, as amended, having the effect and with the priority provided in said Act. No periodic re-recording or periodic refiling of the Mortgage is necessary under existing law to continue the lien of the Mortgage.

6. No authorization or approval (other than any already obtained from the Secretary of Commerce or the Maritime Administration or the Interstate Commerce Commission) is required from any governmental or public regulatory body or authority for the execution and delivery by the Shipowner of the Mortgage; and

7. No taxes are payable in respect of the execution, delivery, recording and endorsement of the Mortgage other than the filing fees payable in connection with the filing and recording of the Mortgage.

In addition, in rendering the foregoing opinion we have assumed insofar as the opinion concerns the legality, validity and binding effect of any agreement or instrument, that such agreement or instrument constitutes a legal, valid and binding obligation of the other parties purportedly obligated thereunder. With respect to the opinions expressed pertaining to the enforceability of the Mortgage, no opinion is expressed as to the availability of the remedy of specific performance as to such agreement, or as to the availability of equitable remedies as such for the enforcement of any provision of such agreement. The opinion expressed as to the enforceability of the Mortgage is subject to the qualification that certain remedies set forth therein, which do not affect the validity of the Mortgage, and without which the Mortgage contains adequate provisions for the realization of the benefits and security provided thereby, may be unenforceable. As to factual matters, we have relied completely on certificates of officers of the Shipowner, copies of which are being delivered to you concurrently with this opinion.

Very truly yours,

**Form of Consent of
Shipbuilder**

**EXHIBIT 4
to
Security Agreement**

EXHIBIT 4
to
Security Agreement

FORM OF CONSENT OF SHIPBUILDER

THIS CONSENT OF SHIPBUILDER dated as of July 31, 1980, is made by Jeffboat, Incorporated, a Delaware corporation (the "Shipbuilder") to (i) American Commercial Lines, Inc., a Delaware corporation (the "Shipowner") and (ii) the United States of America (the "United States"), represented by the Secretary of Commerce, acting by and through the Assistant Secretary of Commerce for Maritime Affairs (the "Secretary") pursuant to the provisions of Title XI of the Merchant Marine Act, 1936, as amended. The purpose of this Consent is to allow and acknowledge the assignment of all of the right, title and interest of the Shipowner in and to the Construction Contract described in Schedule A hereto by the Shipowner to the Secretary under a Security Agreement (the "Security Agreement") to be executed in substantially the form of Appendix III to the Guarantee Commitment. The Security Agreement is being entered into in consideration of the execution of the Guarantee Commitment and the Guarantees to be endorsed by the Secretary on certain United States Government Guaranteed Ship Financing Bonds—1980 Issue to be executed by the Shipowner (the "Obligations"), as security to the Secretary for payment of the principal of and interest on the Secretary's Note. A true copy of Appendix III to the Guarantee Commitment has been delivered to the Shipbuilder.

Now, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Shipbuilder hereby consents and agrees as follows:

1. The Shipbuilder hereby acknowledges receipt of notice of, and hereby consents and agrees to, the aforesaid Assignment by the Shipowner to the Secretary as collateral security and the creation by the Shipowner in favor of the Secretary of a security interest in (a) the Construction Contract insofar as the same pertains and relates to the Vessels and (b) all right, title and interest of the Shipowner in and to the Vessels and the subjection of all of the foregoing to the lien of the Security Agreement.

2. The Shipbuilder acknowledges, understands and agrees that:

(a) The Shipowner shall remain liable to perform its obligations and duties under the Construction Contract insofar as the same pertains or relates to the Vessels;

(b) The Secretary shall, by virtue of the Security Agreement, have no obligation or duty under the Construction Contract insofar as the same pertains or relates to the Vessels, and shall not be required to make any payment due and owing by the Shipowner under the Construction Contract insofar as the same pertains or relates to the Vessels;

(c) The Shipbuilder hereby agrees to pay any monies becoming due to the Shipowner under the Construction Contract insofar as the same pertains or relates to the Vessels promptly to the Depository so long as it shall not have received written notice from the Secretary that the Guarantees shall have terminated pursuant to Section 305(1) (2) or (4) of the Security Agreement and that the Guarantee Commitment, the Security Agreement and the Mortgage are no longer in effect, upon receipt of such notice, the Shipbuilder hereby agrees to promptly pay any such monies to the Shipowner, unless directed otherwise in writing by the Secretary, and

(d) Except during any period after the Shipbuilder shall have received written notice from the Secretary indicating the existence of a Default under the Security Agreement and until the Secretary shall have notified the Shipbuilder in writing that such Default has been

cured or waived, the Shipowner shall be entitled to exercise all of its rights under the Construction Contract insofar as the same pertains or relates to the Vessels and in respect of the Vessels and to receive all the benefits thereunder, subject to paragraph 2(c) hereof, to the same extent as if the Construction Contract insofar as the same pertains or relates to the Vessels, and the Vessels had not in any way been subjected to the liens and security interest created by the Security Agreement

3 This Consent of Shipbuilder shall be construed and enforced in accordance with and governed by federal law and insofar as applicable, the laws of the State of New York.

4 The Shipbuilder agrees to deliver to the Shipowner and the Secretary on the Closing Date (as defined in the Guarantee Commitment) with respect to the Vessels a release, dated the Closing Date, of all its claims and liens against the Vessels and a certificate that (1) each Vessel is free and clear of any and all liens, claims, security interests, encumbrances and rights *in rem* in its favor (said certificate to expressly waive any and all such liens, claims, security interests, encumbrances and rights *in rem*) and, also free and clear of any and all liens, claims, security interests, encumbrances and rights *in rem* of any kind in favor of any workmen, materialmen, subcontractors or others to whom it is responsible, and (2) United States, state, county, city and other taxes, assessments and duties lawfully assessed or levied, prior to or on the Closing Date against such Vessel or against the materials, supplies, or equipment furnished by the Shipbuilder in the performance of the Construction Contract have been paid, except any such taxes, assessments and duties that are being contested in good faith by it (and for which it shall make provision satisfactory to the Secretary of Commerce)

5 The Shipbuilder hereby confirms that all representations, warranties, indemnities and agreements of the Shipbuilder under the Construction Contract with respect to the Vessels shall inure to the benefit of the Secretary to the same extent as if the Secretary had originally been named the owner of the Vessels therein

6 The Shipbuilder further represents and warrants that

(a) the Shipbuilder is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware,

(b) the making and performance of the Construction Contract and this Consent of Shipbuilder have been duly authorized by all necessary corporate action on the part of the Shipbuilder, do not require any stockholder approval and do not contravene any statute, rule, governmental regulation, decree or order binding on the Shipbuilder or contravene the Shipbuilder's certificate of incorporation or by-laws or any indenture, agreement or instrument to which the Shipbuilder is a party or by which it is bound,

(c) the Construction Contract constitutes as of the date hereof and at all times thereafter to and including the date of this Consent of Shipbuilder, and presently constitutes a valid and binding obligation of the Shipbuilder in accordance with its terms and this Consent of Shipbuilder is a valid and binding obligation of the Shipbuilder enforceable against the Shipbuilder in accordance with its terms subject in each case to all laws and judicial decisions affecting generally creditors' rights and remedies, provided that, after the delivery and acceptance of the Vessels only those provisions of the Construction Contract surviving the delivery and acceptance remain binding on the Shipbuilder, and

(d) as of the date hereof no liens of any nature exist upon the Vessels or material therein in favor of workmen, materialmen or others claiming through or under the Shipbuilder, other than mortgage liens for taxes and wages not due and payable

7 For all purposes of this Consent of Shipbuilder, unless otherwise expressly provided or unless the context otherwise requires, the terms used herein which are defined in the Security Agreement,

or by reference therein to other instruments, shall have the respective meanings stated in the Security Agreement or such other instruments

8. Except as otherwise provided herein, any notice, document or other communication to the Secretary hereunder shall be addressed to

The Secretary as: SECRETARY OF COMMERCE
c/o Assistant Secretary of
Commerce for Maritime Affairs
Maritime Administration
Department of Commerce
Washington, D.C 20230

IN WITNESS WHEREOF, the undersigned has caused this instrument to be duly executed on the day and year first above written.

JEFFBOAT, INCORPORATED

By

The undersigned hereby consents to the foregoing this 31st day of July, 1980

AMERICAN COMMERCIAL LINES, INC.

By

Vessel Construction Contract

**EXHIBIT 4A
to
Security Agreement**

*BUILDER'S cost shall be determined based upon standard costing procedures utilized in accounting for construction of vessels in BUILDER'S shipyard. BUILDER utilizes its internal cost figures in establishing its cost for steel

The purchase price for each Vessel shall be adjusted to reflect:

- (1) The increase or decrease therein resulting from changes or additions pursuant to Article V hereof;
- (2) The increase or decrease therein resulting from changes in taxes pursuant to Article VI hereof

ARTICLE IV - TERMS OF PAYMENT:

PURCHASER shall make payment or cause payment to be made to BUILDER for the Vessels, constructed pursuant to Article I hereof, in installments as follows:

Upon delivery and acceptance, pursuant to Article X, of each Vessel free and clear of any lien, claim or other encumbrance.

ARTICLE V - ALTERATIONS:

PURCHASER shall have the right to make any alterations in, deductions from, or additions to the DRAWING on giving due notice in writing to BUILDER. In any such event, an equitable adjustment of the basic contract price shall be negotiated after giving due allowance to both increases and decreases in the work originally contemplated. A statement of the amount of any such adjustment of the basic contract price shall be submitted to PURCHASER by BUILDER and shall be approved by PURCHASER in writing before the change is made

ARTICLE VI - TAXES:

BUILDER shall pay all local, state and federal taxes, workmen's compensation, security and old-age benefits, of any nature, and any other taxes, charges, assessments and contributions of any kind now or hereafter imposed upon or with respect to or measured by, materials and labor utilized in the construction of the Vessels hereunder,

CONTRACT

THIS AGREEMENT, (hereinafter called the CONTRACT),
made and entered into as of the 1st day of MARCH, 1978, by
and between AMERICAN COMMERCIAL LINES, INC., a Delaware
corporation, hereinafter called the PURCHASER, and JEFFBOAT, IN-
CORPORATED, a Delaware corporation, hereinafter called the BUILDER.

W I T N E S S E T H:

That PURCHASER and BUILDER, each in consideration of
the agreements on the part of the other herein contained, hereby con-
tract as follows:

ARTICLE I - WORK TO BE DONE:

BUILDER shall in a good and workmanlike manner and at
its own cost and expense furnish all labor, supervision, machinery, ma-
terials, equipment, supplies, plant and facilities required to design,
construct, launch and complete, ready for service, towboats and barges
as detailed on Exhibit A attached, hereinafter referred to as the Ves-
sel(s).

ARTICLE II - PURCHASE OF THE VESSEL(S):

PURCHASER, in consideration of the true and faithful per-
formance of this agreement on the part of BUILDER, agrees to purchase
the Vessels from BUILDER on the terms and conditions set forth in this
agreement.

ARTICLE III - CONTRACT PRICE

PURCHASER shall pay or cause to be paid to BUILDER for
the Vessels, completed in accordance with the terms of this agreement,
an amount equal to BUILDER'S cost for materials and labor entering
into construction of each Vessel plus BUILDER'S manufacturing burden
and general and administrative expense determined in accordance with
generally accepted accounting principles consistently applied.

until the Vessels are delivered to PURCHASER in accordance with the provisions of Article X hereof.

ARTICLE VIII - PATENTS:

BUILDER shall pay all royalties for patented processes, articles or devices embodied and used in any parts of the Vessels and shall indemnify PURCHASER against any claims, charges, costs or expenses incident thereto.

BUILDER warrants that none of the articles, devices, processes or anything used in or about the construction of the Vessels infringe on patents or patent rights, and agrees to indemnify and save harmless the PURCHASER from any suits, judgments, damages, costs or claims whatsoever for infringement of any patents or patent rights. BUILDER agrees that in the event of such suit for patent infringement being brought against PURCHASER upon written notice being given by PURCHASER to BUILDER, BUILDER will defend such suit without cost to PURCHASER.

ARTICLE IX - INDEMNITY AGAINST CLAIMS:

BUILDER shall indemnify and save PURCHASER harmless from any and all liability, expenses, costs, damages and/or losses of any kind arising out of injuries to or death of persons or loss or damage to property of any kind arising out of BUILDER'S performance of this agreement, except where such injury, death, loss or damage has resulted from the negligence of PURCHASER, its employees or agents

BUILDER shall observe all applicable laws and regulations and shall indemnify and save PURCHASER harmless from any and all liability, expenses, costs, damages and/or losses of any kind resulting from the failure of BUILDER so to do in the performance of this agreement.

ARTICLE X - COMPLETION ACCEPTANCE AND DELIVERY

The Vessels shall be constructed by BUILDER at its Jeffer-

or the wages, salaries, or other remunerations paid to persons employed in connection with the performance of this CONTRACT, and BUILDER shall indemnify and hold PURCHASER harmless from any and all liability and expense by reason of BUILDER'S failure to so pay such taxes, charges, assessments, and contributions.

Notwithstanding the foregoing, if, after the effective date of this agreement, any federal, state or local government shall increase the rate of, or shall enact any tax, fee, duty, impost or imposition which BUILDER is required to collect or pay, (whether due and/or collectible subsequent to performance and delivery hereunder), and which has the effect, either directly or indirectly, of increasing its cost of performance hereunder, BUILDER shall be entitled to charge PURCHASER the amount of any such increase or new tax, fee, duty, impost or imposition which is directly attributable to its performance hereunder, except that no charge shall be made hereunder on account of, and BUILDER shall be entirely responsible for the payment of, any tax on the income of BUILDER, any Ad Valorem Tax (whether assessed upon the Vessels under construction or upon other property) or any franchise or similar tax.

Notwithstanding any of the foregoing, any sales or use taxes which may be imposed upon the sale or use of the Vessels to be furnished hereunder, whether or not the law imposing such tax is now in effect, shall be in addition to the purchase price herein specified and shall be paid by PURCHASER. If any such tax is required to be paid by BUILDER, PURCHASER shall reimburse BUILDER therefor upon presentation of invoice.

ARTICLE VII - PROPERTY LOSS OR DAMAGE:

BUILDER shall assume all risks of loss of and damage to the Vessels and materials entering into the construction of the Vessels

If any defects in materials or workmanship in the Vessels under normal conditions of use and service, other than those defects which are due to normal wear and tear, or misuse, be discovered within six (6) months after delivery of the Vessels to PURCHASER, such defects shall be corrected, or the defective parts shall be replaced by the BUILDER at BUILDER'S expense, at such place as the parties shall mutually agree; provided, however, that in the instance of equipment purchased by BUILDER from others and incorporated in the Vessels, the responsibility of the BUILDER for defects in such equipment shall be limited to the usual guarantee or warranty extended by the manufacturer, or supplier, of such equipment. The BUILDER, however, in no way assumes liability, nor shall be held accountable for consequential damages of any nature.

The PURCHASER shall notify the BUILDER in writing of any defects found in the Vessels during the warranty period, promptly after discovery thereof, and upon such notification, BUILDER shall have the right, at its own expense, to make an investigation of the reported defect before corrective work is undertaken.

ARTICLE XII - FORCE MAJEURE.

All agreements of the BUILDER concerning time and dates of delivery under the provisions of this CONTRACT shall be subject to "force majeure," which term is hereby declared to include all actions whatsoever (except inclement weather of the ordinary seasonable nature) beyond the reasonable control of the BUILDER, among which, but not exclusive of others, are the following: Acts of God; war between the United States and other foreign country; civil war; riot or insurrection in the United States; preparation for war; requirement, urgency, or intervention of civil, naval, or military authorities or other agencies of Government; arrests and restraints of rulers and people; blockades, em-

sonville, Indiana yard and shall be completed and delivered in accordance with the following schedule:

As shown on Exhibit A attached hereto and made a part hereof.

PURCHASER shall be given a reasonable opportunity to inspect the Vessels during construction and upon completion in order to determine the compliance of materials, workmanship, and details of construction with the requirements of the DRAWING. PURCHASER, or his authorized representative, shall make such inspections promptly, and upon completion, the Vessels shall be promptly approved by the PURCHASER, the Vessels shall be delivered by BUILDER to PURCHASER and accepted by PURCHASER afloat in the Ohio River adjacent to Louisville, Kentucky.

BUILDER, at its expense, shall furnish Owner a Master Carpenter's Certificate and a certified copy of the Admeasurement Certificate for each Vessel, together with whatever other documents may be required by law or by any regulatory agency of the United States having jurisdiction in the premises, including all documents, instruments, and applications necessary for the Enrollment and Licensing of the Vessels at their home port.

ARTICLE XI - WARRANTY

BUILDER warrants that the Vessels to be constructed under this CONTRACT shall, at the time of delivery:

1. Conform to the requirements of the CONTRACT and DRAWING,
2. Be of good workmanship and quality in accordance with the best marine practice for work of like nature,
3. Be free of all defects. and
4. Be free of any liens, claims or encumbrances upon payment to BUILDER in accordance with Articles III and IV hereof.

barges; vandalism; sabotage; epidemics; strikes, lockouts, or other industrial disturbances; earthquakes, landslides, floods; hurricanes and cyclonic storms; damage by lightning, explosions, collisions, strandings, fires; delays in delivery of materials which BUILDER by reasonable precaution cannot avoid; government priorities; delays of carriers by land, water or air; and delays due to changes authorized by the PURCHASER pursuant to Article V hereof.

ARTICLE XIII - WORK WEEK:

The contract price designated in Article III hereof and the delivery designated in Article X hereof contemplate the performance of all work under this agreement utilizing a work week of five (5) days, sixteen (16) hours each, holidays excepted. Should PURCHASER call for any portion of the work to be accomplished utilizing a work week in excess of that designated herein, PURCHASER shall reimburse BUILDER for resulting additional costs with the amount thereof to be determined in accordance with BUILDER'S regular accounting procedure.

ARTICLE XIV - DEFAULT:

If either party hereto shall be adjudicated a bankrupt or an order appointing a receiver of it or of the major part of its property shall be made, or an order shall be made approving a petition or answer seeking its reorganization under the Federal Bankruptcy Act, as amended, or should either party institute or have instituted against it, proceedings in bankruptcy or apply for or consent to the appointment of a receiver of itself or of its property, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, for the purpose of seeking a reorganization under the Federal bankruptcy laws or otherwise, then in any one or more of such events, the other party to this agreement shall have the option forthwith to terminate this agreement to all intents and for all purposes,

by giving written notice of its intention so to do. Any termination of this agreement made pursuant to the provisions of this paragraph shall not relieve the party receiving such notice from any accrued obligations hereunder due and owing at the date of such termination.

ARTICLE XV - EFFECT OF WAIVER:

No waiver by either party hereto of any default by the other in the strict and literal performance of or compliance with any provision, condition, or requirement herein shall be deemed to be a waiver of strict and literal performance of and compliance with any other provision, condition, or requirement herein, nor to be a waiver of, or in any manner release such other from, strict compliance with any provision, condition, or requirement in the future.

ARTICLE XVI - ASSIGNMENT:

This agreement and the benefits of any payments made hereunder may be assigned by PURCHASER without the consent of BUILDER, and title to the Vessels and materials entering into the construction thereof vested in PURCHASER may be transferred at any time to any individual, firm or corporation which it may designate, provided that PURCHASER guarantees the performance of all its obligations hereunder by such assignee, and provided further that such assignment or transfer shall not in any way violate any law of the United States of America or any rule or regulation issued or promulgated by any department, agency or instrumentality of the United States Government. BUILDER agrees to execute any documents required to effectuate any such assignment or transfer and the documentation of the completed Vessels. This agreement shall not be assignable by BUILDER without the consent of PURCHASER.

ARTICLE XVII - NOTICES:

Any notice required or permitted to be given to either party

hereto by or under the provisions of this agreement shall be deemed properly given when mailed by certified mail, return receipt requested, postage thereon fully prepaid, addressed in the case of PURCHASER to: American Commercial Lines, Inc., P.O. Box 610, Jeffersonville, Indiana 47130, and in the case of BUILDER to: Jeffboat, Incorporated, P.O. Box 610, Jeffersonville, Indiana 47130. All such notices shall be deemed to have been given when so mailed. For convenience in reference, this agreement is hereby identified as CONTRACT NO.

3178 All invoices, notices, reports, or other communications addressed to PURCHASER pertaining to this agreement shall be identified by this number.

ARTICLE XVIII - SHIPPING ACT OF 1916.

PURCHASER warrants that it is a citizen of the United States within the meaning of the Shipping Act of 1916, as amended, (46 U. S. Code 813), and that it is qualified to enter into this agreement and to take title to the equipment to be constructed hereunder and that the provisions of said Shipping Act of 1916, as amended, imposing restrictions upon transfers to persons not citizens of the United States and any proclamations, orders or regulations thereunder, are inapplicable

ARTICLE XIX - INTERPRETATIONS.

This CONTRACT shall be interpreted according to the laws of the State of Indiana.

IN WITNESS WHEREOF, the parties have executed this CONTRACT as of the day and year first above written.

ATTEST: PURCHASER:
AMERICAN COMMERCIAL LINES, INC.,

ATTEST: BUILDER:
JEFFBOAT, INCORPORATED
Michael L. Harris
Asst. Sec.

ADDENDUM NO. 1
TO
CONTRACT NO. 3178

THIS ADDENDUM TO AGREEMENT made and entered into as of this 8th day of July, 1980, by and between AMERICAN COMMERCIAL LINES, INC., a Delaware corporation, hereinafter called PURCHASER, and JEFFBOAT, INCORPORATED, a Delaware corporation, hereinafter called BUILDER,

WITNESSETH:

WHEREAS, PURCHASER and BUILDER entered into an AGREEMENT dated March 1, 1978 relating to the construction and purchase of certain towboats and barges as detailed on Exhibit A attached to Contract No. 3178, and

WHEREAS, PURCHASER and BUILDER now desire to substitute a new Exhibit A-1 to replace the original Exhibit A attached to Contract No. 3178;

NOW, THEREFORE, the parties hereto, each in consideration of the agreement on the part of the other herein contained, agree as follows:

(1) Upon execution of this ADDENDUM, Exhibit A attached to Contract No. 3178 shall be deleted in its entirety and a new Exhibit A-1 attached hereto shall be substituted in place of the original Exhibit A to Contract No. 3178.


(2) In all other respects Contract No. 3178 shall remain unchanged and effective according to its terms.

IN WITNESS WHEREOF, the parties have executed this ADDENDUM as of the day and year first above written.

PURCHASER
AMERICAN COMMERCIAL LINES, INC.

ATTEST:



By: 

BUILDER:
JEFFBOAT, INCORPORATED

ATTEST:



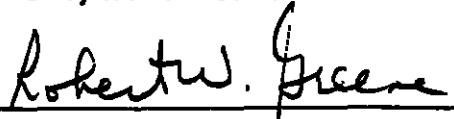
By: 

EXHIBIT A-1 TO CONTRACT NO. 3178

Designation of Vessel	Qty.	Date of Delivery	Basic Unit Contract Price	Basic Total Contract Price
Chem 110-114 195' x 35' x 12'6" Tank Barge	5	4-78	\$ 329,825	\$ 1,649,125
Chem 115-119 195' x 35' x 12'6" Tank Barge	5	5-78	313,000	1,565,000
Chem 120-126 195' x 35' x 12'6" Tank Barge	7	9-78	308,000	2,156,000
Chem 127-133 195' x 35' x 12'6" Tank Barge	7	11-78	311,000	2,177,000
Total Barges				<u>7,547,125</u>
4200 H.P. Towboat M/V Thruston Morton	1	7-78	2,350,253	2,350,253
4200 H.P. Towboat M/V Bob Koch	1	10-78	2,268,263	2,268,263
Total Boats	<u>2</u>			<u>4,618,516</u>
Total Boats & Barges				12,165,641

*BUILDER'S cost shall be determined based upon standard costing procedures utilized in accounting for construction of vessels in BUILDER'S shipyard. BUILDER utilizes its internal cost figures in establishing its cost for steel.

The purchase price for each Vessel shall be adjusted to reflect:

- (1) The increase or decrease therein resulting from changes or additions pursuant to Article V hereof;
- (2) The increase or decrease therein resulting from changes in taxes pursuant to Article VI hereof

ARTICLE IV - TERMS OF PAYMENT:

PURCHASER shall make payment or cause payment to be made to BUILDER for the Vessels, constructed pursuant to Article I hereof, in installments as follows:

Upon delivery and acceptance, pursuant to Article X, of each Vessel free and clear of any lien, claim or other encumbrance.

ARTICLE V - ALTERATIONS:

PURCHASER shall have the right to make any alterations in, deductions from, or additions to the DRAWING on giving due notice in writing to BUILDER. In any such event, an equitable adjustment of the basic contract price shall be negotiated after giving due allowance to both increases and decreases in the work originally contemplated. A statement of the amount of any such adjustment of the basic contract price shall be submitted to PURCHASER by BUILDER and shall be approved by PURCHASER in writing before the change is made.

ARTICLE VI - TAXES:

BUILDER shall pay all local, state and federal taxes, workmen's compensation, security and old-age benefits, or any nature, and any other taxes, charges, assessments and contributions of any kind now or hereafter imposed upon, or with respect to or measured by, materials and labor utilized in the construction of the Vessels hereunder,

CONTRACT

THIS AGREEMENT, (hereinafter called the CONTRACT), made and entered into as of the 3rd day of MARCH, 1978, by and between AMERICAN COMMERCIAL LINES, INC., a Delaware corporation, hereinafter called the PURCHASER, and JEFFBOAT, INCORPORATED, a Delaware corporation, hereinafter called the BUILDER.

W I T N E S S E T H:

That PURCHASER and BUILDER, each in consideration of the agreements on the part of the other herein contained, hereby contract as follows:

ARTICLE I - WORK TO BE DONE:

BUILDER shall in a good and workmanlike manner and at its own cost and expense furnish all labor, supervision, machinery, materials, equipment, supplies, plant and facilities required to design, construct, launch and complete, ready for service, towboats and barges as detailed on Exhibit A attached, hereinafter referred to as the Vessel(s).

ARTICLE II - PURCHASE OF THE VESSEL(S):

PURCHASER, in consideration of the true and faithful performance of this agreement on the part of BUILDER, agrees to purchase the Vessels from BUILDER on the terms and conditions set forth in this agreement.

ARTICLE III - CONTRACT PRICE

PURCHASER shall pay or cause to be paid to BUILDER for the Vessels, completed in accordance with the terms of this agreement, an amount equal to BUILDER'S cost for materials and labor entering into construction of each Vessel plus BUILDER'S manufacturing burden and general and administrative expense determined in accordance with generally accepted accounting principles consistently applied.

or the wages, salaries, or other remunerations paid to persons employed in connection with the performance of this CONTRACT, and BUILDER shall indemnify and hold PURCHASER harmless from any and all liability and expense by reason of BUILDER'S failure to so pay such taxes, charges, assessments, and contributions.

Notwithstanding the foregoing, if, after the effective date of this agreement, any federal, state or local government shall increase the rate of, or shall enact any tax, fee, duty, impost or imposition which BUILDER is required to collect or pay, (whether due and/or collectible subsequent to performance and delivery hereunder), and which has the effect, either directly or indirectly, of increasing its cost of performance hereunder, BUILDER shall be entitled to charge PURCHASER the amount of any such increase or new tax, fee, duty, impost or imposition which is directly attributable to its performance hereunder, except that no charge shall be made hereunder on account of, and BUILDER shall be entirely responsible for the payment of, any tax on the income of BUILDER, any Ad Valorem Tax (whether assessed upon the Vessels under construction or upon other property) or any franchise or similar tax.

Notwithstanding any of the foregoing, any sales or use taxes which may be imposed upon the sale or use of the Vessels to be furnished hereunder, whether or not the law imposing such tax is now in effect, shall be in addition to the purchase price herein specified and shall be paid by PURCHASER. If any such tax is required to be paid by BUILDER, PURCHASER shall reimburse BUILDER therefor upon presentation of invoice.

ARTICLE VI - PROPERTY LOSS OR DAMAGE:

BUILDER shall assume all risks of loss of and damage to the Vessels and materials entering into the construction of the Vessels

until the Vessels are delivered to PURCHASER in accordance with the provisions of Article X hereof.

ARTICLE VIII - PATENTS:

BUILDER shall pay all royalties for patented processes, articles or devices embodied and used in any parts of the Vessels and shall indemnify PURCHASER against any claims, charges, costs or expenses incident thereto.

BUILDER warrants that none of the articles, devices, processes or anything used in or about the construction of the Vessels infringe on patents or patent rights, and agrees to indemnify and save harmless the PURCHASER from any suits, judgments, damages, costs or claims whatsoever for infringement of any patents or patent rights. BUILDER agrees that in the event of such suit for patent infringement being brought against PURCHASER upon written notice being given by PURCHASER to BUILDER, BUILDER will defend such suit without cost to PURCHASER.

ARTICLE IX - INDEMNITY AGAINST CLAIMS:

BUILDER shall indemnify and save PURCHASER harmless from any and all liability, expenses, costs, damages and/or losses of any kind arising out of injuries to or death of persons or loss or damage to property of any kind arising out of BUILDER'S performance of this agreement, except where such injury, death, loss or damage has resulted from the negligence of PURCHASER, its employees or agents.

BUILDER shall observe all applicable laws and regulations and shall indemnify and save PURCHASER harmless from any and all liability, expenses, costs, damages and/or losses of any kind resulting from the failure of BUILDER so to do in the performance of this agreement.

ARTICLE X - COMPLETION ACCEPTANCE AND DELIVERY

The Vessels shall be constructed by BUILDER at its Jaffer-

sonville, Indiana yard and shall be completed and delivered in accordance with the following schedule:

As shown on Exhibit A attached hereto and made a part hereof.

PURCHASER shall be given a reasonable opportunity to inspect the Vessels during construction and upon completion in order to determine the compliance of materials, workmanship, and details of construction with the requirements of the DRAWING. PURCHASER, or his authorized representative, shall make such inspections promptly, and upon completion, the Vessels shall be promptly approved by the PURCHASER, the Vessels shall be delivered by BUILDER to PURCHASER and accepted by PURCHASER afloat in the Ohio River adjacent to Louisville, Kentucky.

BUILDER, at its expense, shall furnish Owner a Master Carpenter's Certificate and a certified copy of the Admeasurement Certificate for each Vessel, together with whatever other documents may be required by law or by any regulatory agency of the United States having jurisdiction in the premises, including all documents, instruments, and applications necessary for the Enrollment and Licensing of the Vessels at their home port.

ARTICLE XI - WARRANTY:

BUILDER warrants that the Vessels to be constructed under this CONTRACT shall, at the time of delivery:

1. Conform to the requirements of the CONTRACT and DRAWING,
2. Be of good workmanship and quality in accordance with the best marine practice for work of like nature,
3. Be free of all defects, and
4. Be free of any liens, claims or encumbrances upon payment to BUILDER in accordance with Articles III and IV hereof.

If any defects in materials or workmanship in the Vessels under normal conditions of use and service, other than those defects which are due to normal wear and tear, or misuse, be discovered within six (6) months after delivery of the Vessels to PURCHASER, such defects shall be corrected, or the defective parts shall be replaced by the BUILDER at BUILDER'S expense, at such place as the parties shall mutually agree; provided, however, that in the instance of equipment purchased by BUILDER from others and incorporated in the Vessels, the responsibility of the BUILDER for defects in such equipment shall be limited to the usual guarantee or warranty extended by the manufacturer, or supplier, of such equipment. The BUILDER, however, in no way assumes liability, nor shall be held accountable for consequential damages of any nature.

The PURCHASER shall notify the BUILDER in writing of any defects found in the Vessels during the warranty period, promptly after discovery thereof, and upon such notification, BUILDER shall have the right, at its own expense, to make an investigation of the reported defect before corrective work is undertaken.

ARTICLE XII - FORCE MAJEURE

All agreements of the BUILDER concerning time and dates of delivery under the provisions of this CONTRACT shall be subject to "force majeure," which term is hereby declared to include all actions whatsoever (except inclement weather of the ordinary seasonable nature) beyond the reasonable control of the BUILDER, among which, but not exclusive of others, are the following: Acts of God; war between the United States and other foreign country; civil war; riot or insurrection in the United States; preparation for war; requirement, urgency, or intervention of civil, naval, or military authorities or other agencies of Government; arrests and restraints of rulers and people; blockades; em-

bargoes; vandalism; sabotage; epidemics; strikes, lockouts, or other industrial disturbances; earthquakes, landslides, floods; hurricanes and cyclonic storms; damage by lightning, explosions, collisions, strandings, fires; delays in delivery of materials which BUILDER by reasonable precaution cannot avoid; government priorities; delays of carriers by land, water or air; and delays due to changes authorized by the PURCHASER pursuant to Article V hereof.

ARTICLE XIII - WORK WEEK:

The contract price designated in Article III hereof and the delivery designated in Article X hereof contemplate the performance of all work under this agreement utilizing a work week of five (5) days, sixteen (16) hours each, holidays excepted. Should PURCHASER call for any portion of the work to be accomplished utilizing a work week in excess of that designated herein, PURCHASER shall reimburse BUILDER for resulting additional costs with the amount thereof to be determined in accordance with BUILDER'S regular accounting procedure.

ARTICLE XIV - DEFAULT:

If either party hereto shall be adjudicated a bankrupt or an order appointing a receiver of it or of the major part of its property shall be made, or an order shall be made approving a petition or answer seeking its reorganization under the Federal Bankruptcy Act, as amended, or should either party institute or have instituted against it, proceedings in bankruptcy or apply for or consent to the appointment of a receiver of itself or of its property, or shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, for the purpose of seeking a reorganization under the Federal bankruptcy laws or otherwise, then in any one or more of such events, the other party to this agreement shall have the option hereinafter to terminate this agreement to all intents and for all purposes,

by giving written notice of its intention so to do. Any termination of this agreement made pursuant to the provisions of this paragraph shall not relieve the party receiving such notice from any accrued obligations hereunder due and owing at the date of such termination.

ARTICLE XV - EFFECT OF WAIVER:

No waiver by either party hereto of any default by the other in the strict and literal performance of or compliance with any provision, condition, or requirement herein shall be deemed to be a waiver of strict and literal performance of and compliance with any other provision, condition, or requirement herein, nor to be a waiver of, or in any manner release such other from, strict compliance with any provision, condition, or requirement in the future.

ARTICLE XVI - ASSIGNMENT:

This agreement and the benefits of any payments made hereunder may be assigned by PURCHASER without the consent of BUILDER, and title to the Vessels and materials entering into the construction thereof vested in PURCHASER may be transferred at any time to any individual, firm or corporation which it may designate, provided that PURCHASER guarantees the performance of all its obligations hereunder by such assignee, and provided further that such assignment or transfer shall not in any way violate any law of the United States of America or any rule or regulation issued or promulgated by any department, agency or instrumentality of the United States Government. BUILDER agrees to execute any documents required to effectuate any such assignment or transfer and the documentation of the completed Vessels. This agreement shall not be assignable by BUILDER without the consent of PURCHASER.

ARTICLE XVII - NOTICES:

Any notice required or permitted to be given to either party

hereto by or under the provisions of this agreement shall be deemed properly given when mailed by certified mail, return receipt requested, postage thereon fully prepaid, addressed in the case of PURCHASER to: American Commercial Lines, Inc., P O. Box 610, Jeffersonville, Indiana 47130, and in the case of BUILDER to: Jeffboat, Incorporated, P.O. Box 610, Jeffersonville, Indiana 47130. All such notices shall be deemed to have been given when so mailed. For convenience in reference, this agreement is hereby identified as CONTRACT NO.

3378 All invoices, notices, reports, or other communications addressed to PURCHASER pertaining to this agreement shall be identified by this number.

ARTICLE XVIII - SHIPPING ACT OF 1916:

PURCHASER warrants that it is a citizen of the United States within the meaning of the Shipping Act of 1916, as amended, (46 U S. Code 835), and that it is qualified to enter into this agreement and to take title to the equipment to be constructed hereunder and that the provisions of said Shipping Act of 1916, as amended, imposing restrictions upon transfers to persons not citizens of the United States and any proclamations, orders or regulations thereunder, are inapplicable.

ARTICLE XIX - INTERPRETATIONS

This CONTRACT shall be interpreted according to the laws of the State of Indiana.

IN WITNESS WHEREOF, the parties have executed this CONTRACT as of the day and year first above written.

ATTEST. PURCHASER
AMERICAN COMMERCIAL LINES, INC.
[Signature]

ATTEST. BUILDER:
JEFFBOAT, INCORPORATED
Michael L. Harris
Asst. Sec.

ADDENDUM

THIS ADDENDUM TO AGREEMENT made and entered into as of this 30th day of January, 1979, by and between AMERICAN COMMERCIAL LINES, INC., a Delaware corporation, hereinafter called PURCHASER, and JEFFBOAT, INCORPORATED, a Delaware corporation, hereinafter called BUILDER,

WITNESSETH:

WHEREAS, PURCHASER and BUILDER entered into an AGREEMENT dated March 3, 1978 relating to the construction and purchase of certain towboats and barges as detailed on Exhibit A attached to Contract No. 3378, and

WHEREAS, PURCHASER and BUILDER now desire to substitute a new Exhibit A to replace the original Exhibit A attached to Contract No. 3378;

NOW, THEREFORE, the parties hereto, each in consideration of the agreement on the part of the other herein contained, agree as follows:

(1) Upon execution of this ADDENDUM, Exhibit A attached to Contract No. 3378 shall be deleted in its entirety and a new Exhibit A attached hereto shall be substituted in place of the original Exhibit A to Contract No. 3378.

(2) In all other respects Contract No. 3378 shall remain unchanged and effective according to its terms.

IN WITNESS WHEREOF, the parties have executed this ADDENDUM as of the day and year first above written.

PURCHASER:
AMERICAN COMMERCIAL LINES, INC.

ATTEST:

By: [Signature]

BUILDER:
JEFFBOAT, INCORPORATED

ATTEST:

By: Robert W. Greene

EXHIBIT A

<u>Designation Of Vessel</u>	<u>Quantity</u>	<u>Date Of Delivery</u>	<u>Basic Unit Contract 1/</u>	<u>Basic Total Contract 1/</u>
195' x 35' x 13' Covered Hopper Barge	72	1979	202,000	14,544,000
195' x 35' x 13' Open Hopper Barge	38	1979	175,000	6,650,000
5,600 H.P. Towboat (180' x 52' x 11')	2	1979	2,700,000	5,400,000
195' x 35' x 12' Tank Barge	5	1979	350,000	<u>1,750,000</u>
				28,344,000

Note 1/ - Estimated as of March 1, 1978

EXHIBIT A

<u>Designation of Vessel</u>	<u>Quantity</u>	<u>Date Of Delivery</u>	<u>Basic Unit Contract 1/</u>	<u>Basic Total Contract 1/</u>
195' x 35' x 12' Covered Hopper Barge	35	1979	209,000	7,315,000
200' x 35' x 12' Open Hopper Barge	30	1979	193,000	5,790,000
200' x 35' x 13' Open Hopper Barge	10	1979	190,000	1,900,000
245' x 35' x 13' Open Hopper Barge	10	1979	242,000	2,420,000
5,600 H.P. Towboat (180' x 52' x 11')	2	1979	2,750,000	<u>5,500,000</u>
				22,925,000

Note 1/ - Estimated as of January 1, 1979

ADDENDUM NO. 2
TO
CONTRACT NO. 3378

THIS ADDENDUM TO AGREEMENT made and enter
July, 1980, by and between AMERICAN COMMERCIAL LINES, INC., a Delaware
corporation, hereinafter called PURCHASER, and JEFFBOAT, INCORPORATED, a
Delaware corporation, hereinafter called BUILDER,

WITNESSETH:

WHEREAS, PURCHASER and BUILDER entered into an AGREEMENT dated March 3,
1978 relating to the construction and purchase of certain towboats and barges as detailed
on Exhibit A attached to Contract No. 3378, and

WHEREAS, PURCHASER and BUILDER entered into an ADDENDUM thereto, dated
January 30, 1979 wherein a new Exhibit A was substituted in place of the original Exhibit A
to Contract No. 3378, and


WHEREAS, PURCHASER and BUILDER now desire to substitute a new Exhibit A-1
to replace the present Exhibit A attached to Contract No. 3378;

NOW, THEREFORE, the parties hereto, each in consideration of the agreement on
the part of the other herein contained, agree as follows:


(1) Upon execution of this ADDENDUM NO. 2, Exhibit A attached to Contract
No. 3378 by force of the above referenced ADDENDUM of January 30, 1979 shall be
deleted in its entirety and a new Exhibit A-1 attached hereto shall be substituted in place
of the present Exhibit A to Contract No. 3378.

(2) In all other respects Contract No. 3378 shall remain unchanged and effective
according to its terms.

IN WITNESS WHEREOF, the parties have executed this ADDENDUM NO. 2 as of
the day and year first above written.

ATTEST:


PURCHASER:
AMERICAN COMMERCIAL LINES, INC.

By: 

ATTEST:


BUILDER:
JEFFBOAT, INCORPORATED

By: 

EXHIBIT A-1 TO CONTRACT NO. 3378

Designation of Vessel	Qty.	Date of Delivery	Basic Unit Contract Price	Basic Total Contract Price
ACBL 3200-3214 195' x 35' x 12' Rake Covered Barges	15	6-79	\$ 212,000	\$ 3,180,000
ACBL 110-124 200' x 35' x 12' Box Open Hopper Barges	15	6-79	173,000	2,595,000
ACBL 3215-3224 195' x 35' x 12' Rake Covered Barges	10	7-79	212,000	2,120,000
ACBL 3225-3234 195' x 35' x 12' Rake Covered Barges	10	8-79	210,000	2,100,000
ACBL 1870-1884 200' x 35' x 13' Box Open Hopper Barges	15	8-79	178,000	2,670,000
ACBL 1850-1859 200' x 35' x 13' Box Open Hopper Barges	10	1-80	183,000	<u>1,830,000</u>
TOTAL BARGES				\$ 14,495,000
5600 H.P. Towboat M/V Bill Carneal	1	8-79	2,637,606	2,637,606
5600 H.P. Towboat M/V Robert Greene	<u>1</u>	4-80	2,979,503	<u>2,979,503</u>
TOTAL BOATS	2			5,617,109
TOTAL BOATS AND BARGES				20,112,109

**Form of
Bareboat Charter
EXHIBIT 5
to
Security Agreement**

BAREBOAT CHARTER

THIS CHARTER, is made the 31st day of July, 1980, between AMERICAN COMMERCIAL LINES, INC a Delaware corporation (the "Shipowner"), and COMMERCIAL BARGE LINE COMPANY, a Delaware corporation (the "Charterer")

WITNESSETH

WHEREAS, the Shipowner is the owner of the United States flag Vessels listed in Schedule A hereto (the "Vessels") subject to a First Preferred Fleet Mortgage dated the date hereof (the "Mortgage") in favor of the United States of America, represented by the Secretary of Commerce acting by and through the Assistant Secretary of Commerce for Maritime Affairs (the "Secretary"); and

WHEREAS, the Charterer desires to hire and the Shipowner agrees to let the Vessels to the Charterer in accordance with the terms of this Agreement,

NOW THEREFORE, the parties hereto agree as follows

Section 1 *The Charter Period*

The Shipowner hereby lets and demises and the Charterer hereby hires, the Vessels commencing on the date hereof and continuing for such time as the Mortgage to the United States of America on the Vessels is outstanding upon the terms and conditions set forth in this Charter (the "Charter Period")

Section 2 *Delivery, Redelivery*

The Charterer accepts delivery of the Vessels at the port or ports where the Vessels are located on the date hereof. The Charterer agrees to redeliver the Vessels to the Shipowner at the termination of the Charter Period at such port or ports on the continental United States of America as the Shipowner shall designate to the Charterer in writing 30 days prior to the date of such redelivery.

Section 3 *Charter Hire*

(a) The Charterer agrees to pay the Shipowner semiannually commencing on January 15, 1981, and on each July 15 and January 15 thereafter, Charter Hire in an amount equal to the greater of (i) the Shipowner's total debt service or (ii) the Shipowner's total direct cost. (All such amounts are herein called "Basic Hire") For this purpose "total debt service" and "total direct cost" are as follows:

(1) "Total debt service" is the total of all principal, interest, Indenture Trustee fees and Title XI Guarantee Fees which became due for payment during the semiannual period on the Shipowner's United States Government Guaranteed Ship Financing Bonds—1980 Issue (the "Obligations")

(2) "Total direct cost" are all costs and expenses except state and federal income taxes which appear on the Shipowner's statement of earnings for the semiannual period, prepared in accordance with generally accepted accounting principles and which are directly identifiable to the "Obligations" and ownership of the Vessels

(b) The Charterer's obligation to make payments of Basic Hire hereunder shall be absolute and unconditional and under any and all circumstances and no payment of such amount shall be subject to any right of set-off, counterclaim, recoupment, defense, abatement, suspension, deferment or reduc-

non, for any reason whatsoever, and the Charterer shall have no right to terminate this Charter (except as expressly provided herein) or to be released, relieved or discharged from any obligation or liability to pay Basic Hire for any reason whatsoever. Each payment of Basic Hire hereunder shall be final and the Charterer agrees not to seek to recover all or any part of Basic Hire from the Shipowner, the Secretary, the Indenture Trustee, the holders of the aforementioned Bonds or any other person for any reason whatsoever. The Charterer hereby waives to the extent permitted by applicable law any and all right which it may now have or which at any time hereafter it may have conferred upon it, by statute or otherwise to terminate, cancel, quit, or surrender this Charter except in accordance with the expressed terms hereof. Even though the Charterer shall be deprived of or limited in the use of the Vessels, or any of them, in any respect or for any length of time whether or not by reason of some act, omission or breach on the part of the Shipowner or a third party, whether or not resulting from accident and whether or not without fault on the part of the Charterer, the Charterer will continue to make all payments of Basic Hire without interruption or abatements so long as this Charter shall not have been terminated in accordance with its terms. Compliance with this section by the Charterer shall not waive or release any claim, right or remedy of the Charterer against the Shipowner or any other person and the enforcement thereof by means available to the Charterer and not inconsistent with the provisions of this Charter.

Section 4 *Use and Operation*

(a) The Charterer shall have the full use of the Vessels and may employ the Vessels in any trade throughout the United States of America, except that the Vessels shall not be operated in any manner contrary to applicable law.

(b) The Charterer shall have exclusive possession and control of the Vessels and shall man, victual, navigate and operate each of the Vessels at its own expense or by its own procurement throughout the Charter Period. The master, officers and crew, if any, of the Vessels shall be engaged and employed by the Charterer and shall remain the Charterer's servants, navigating and working the Vessels on behalf of and at the risk of the Charterer.

(c) The Charterer shall at its own expense provide such additional equipment, outfit, tools, appliances, spare and replacement parts and consumable and nonconsumable stores as may be required for the operation of each of the Vessels. Such additional equipment and stores shall remain the property of the Charterer.

Section 5. *Maintenance; Changes*

(a) The Charterer shall keep each of the Vessels in the good order and condition required to be maintained pursuant to Section 204(h) of the Security Agreement dated the date hereof (the "Security Agreement") between the Shipowner and the Secretary.

(b) The Charterer agrees that without the prior written consent of the Shipowner and the Secretary it will not take any action in respect of any Vessel prohibited by Section 204(i) of the Security Agreement.

Section 6 *Documentation, Liens*

(a) Throughout the Charter Period the Charterer shall maintain the documentation of the Vessel in the Shipowner's name under the laws and flag of the United States of America, shall maintain the lien of the Mortgage and shall procure and maintain in full force and effect all permits and licenses as may be required by applicable federal, state or local laws or regulations by reason of the nature or location of the Charterer's use of the Vessels. The Shipowner agrees to cooperate with the Charterer in maintaining the foregoing.

(b) Neither the Charterer, its agents, masters, servants, shore personnel nor any party whatsoever shall have any right, power or authority to create, incur or permit to be imposed upon any of the

Vessels any liens whatsoever The Charterer hereby agrees to notify any and all persons furnishing any items chargeable to the account of the Charterer which are deemed necessities to the Vessels In addition, the Charterer hereby agrees to carry on each of the Vessels the Notice of Mortgage referred to in the Security Agreement

Section 7 Insurance

The Charterer agrees to maintain such insurance as requested by the Shipowner on the Vessels at its own cost.

Section 8 Requisition of Title, Seizure or Forfeiture; Total Loss

In the event of a requisition of title to a Vessel, seizure of a Vessel or forfeiture of a Vessel or the happening of any of the circumstances referred to in Section 2.07(c)(3) of the Security Agreement resulting in an actual, constructive, agreed or compromised total loss of a Vessel, the Charterer agrees as follows:

(i) To give prompt written notice thereof to the Shipowner and the Secretary; and

(ii) To promptly pay all amounts it receives by reason of such requisition or total loss to the Secretary to the extent required by the Security Agreement (subject to the consent or approval of the Secretary and/or the Maritime Administration if and to the extent they have jurisdiction) to be applied by the Secretary in accordance with the provisions of Section 2.09(3) of Exhibit 1 to the Security Agreement.

Section 9 Default; Remedies

If at any time during the Charter Period the Charterer shall fail to perform any of its duties or obligations hereunder or shall violate any of the provisions of this Charter, the Shipowner may, without prejudice to any other legal rights or remedies which it may have under this Charter or as provided by law, withdraw and retake any or all of the Vessels wherever the same may be found, whether upon the high seas or in any port, harbor or other place and without prior demand and without legal process, and for that purpose may enter upon any dock, pier or other premises where such Vessel or Vessels may be found and may take possession thereof.

Section 10. Taxes

The Shipowner shall not be responsible for any transportation, use, sales, property or other federal, state or local taxes levied or assessed in connection with any of the Vessels or the operation or use thereof during the Charter Period and all such taxes shall be for the Charterer's account (excepting only income taxes of the Shipowner on Charter Hire paid hereunder)

Section 11 Secretary's Rights, Subcharters

(a) The Shipowner's right, title and interest in and to this Charter and all Charter Hire and any other amounts paid hereunder are subject to a security interest in favor of the Secretary as provided in the Security Agreement The Charterer's right to peaceful use and possession are subject, also, to the rights of the Secretary under the Mortgage

(b) The Charterer agrees not to subcharter any of the Vessels except the foregoing shall not apply to (i) demise subcharters approved by the Secretary in writing and (ii) demise subcharters permitted by Sections 12(b)(3) and 13(c)(3) of the Title XI Reserve Fund and Financial Agreement, Contract No MA-8428 dated July 29, 1976 between the Charterer and the Secretary as amended by Amendment No 1 dated August 30, 1977 and Amendment No 2 to and Restatement of said Agreement dated July 31, 1980 Any subcharterers approved by the Secretary must establish United States citizenship in the form and manner prescribed in the Code of Federal Regula-

tions Title 46 Section 355 prior to execution of the subcharter. Furthermore, the subcharter agreement must be approved by the Secretary in form and substance.

Section 12 Miscellaneous

(a) For so long as the Mortgage or the Security Agreement are in full force and effect, this Charter may not be amended, modified or supplemented without the prior written consent of the Secretary.

(b) For purposes of this Charter all notices required hereunder shall be sent to the addresses of the parties as follows:

If to the Shipowner:	American Commercial Lines, Inc. 3800 Frederica Street Owensboro, Kentucky 42301 Attention: Secretary
With a copy to:	3401 Allen Parkway Houston, Texas 77019
If to the Charterer:	Commercial Barge Line Company 3800 Frederica Street Owensboro, Kentucky 42301 Attention: Secretary
With a copy to:	3401 Allen Parkway Houston, Texas 77019
If to the Secretary:	Secretary of Commerce c/o Assistant Secretary of Commerce for Maritime Affairs Maritime Administration Department of Commerce Washington, D.C. 20230

(c) This Charter is not a personal contract. It is agreed that the Shipowner may avail itself of the rights created by Section 4283 through 4287 of the United States Revised Statutes 46 USC Sections 183-187 in any and all circumstances whatsoever, except where the losses incurred with privity of knowledge of the Shipowner.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement on the day and year first above written.

AMERICAN COMMERCIAL LINES, INC.

By

COMMERCIAL BARGE LINE COMPANY

By

SCHEDULE A

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximat Tonnage Gross/Net</u>
Barge, Chemical	Chem 110.	584490	Jeffersonville Indiana	1977	835/835
Barge, Chemical	Chem 111	584491	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 112	584492	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 113	594493	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 114	584494	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 115	584495	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 116	584496	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 117	584497	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 118	584498	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 119	584499	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 120	593014	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 121	593015	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 122	593016	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 123	593017	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 124	593018	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 125	593019	Jeffersonville Indiana	1978	835/835

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Chemical	Chem 126	593020	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 127	593021	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 128	593022	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 129	593023	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 130	593024	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 131	593025	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 132	593026	Jeffersonville Indiana	1978	835/835
Barge, Chemical	Chem 133	593027	Jeffersonville Indiana	1978	835/835
Barge, Covered Hopper	ACBL 3200	604025	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3201	604026	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3202	604027	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3203	604028	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3204	604029	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3205	604030	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3206	604031	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3207	604032	Jeffersonville Indiana	1979	986/986

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximat Tonnage Gross/Net</u>
Barge, Covered Hopper	ACBL 3208	604033	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3209	604034	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3210	604035	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3211	604036	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3212	604037	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3213	604038	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3214	604039	Jeffersonville Indiana	1979	986/986
Barge, Open Hopper	ACBL 110	604010	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 111	604011	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 112	604112	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 113	604113	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 114	604114	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 115	604115	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 116	604116	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 117	604017	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 118	604018	Jeffersonville Indiana	1979	729/729

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Open Hopper	ACBL 119	604019	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 120	604020	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 121	604021	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 122	604022	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 123	604023	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 124	604024	Jeffersonville Indiana	1979	729/729
Barge, Covered Hopper	ACBL 3215	604040	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3216	604041	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3217	604042	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3218	604043	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3219	604044	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3220	604045	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3221	604046	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3222	604047	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3223	604048	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3224	604049	Jeffersonville Indiana	1979	986/986

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximat Tonnage Gross/Net</u>
Barge, Covered Hopper	ACBL 3225	606610	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3226	606611	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3227	606612	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3228	606613	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3232	606617	Jeffersonville Indiana	1979	986/986
Barge, Open Hopper	ACBL 1871	609318	Jeffersonville Indiana	1979	729/729
Towboat	Thruston Morton	594624	Jeffersonville Indiana	1978	623/423
Towboat	Robert Koch	598151	Jeffersonville Indiana	1978	623/423

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Open Hopper	ACBL 1850	606600	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1851	606601	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1852	606602	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1853	606603	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1854	606604	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1855	606605	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1856	606606	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1857	606607	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1858	606608	Jeffersonville Indiana	1980	798/798
Barge, Open Hopper	ACBL 1859	606609	Jeffersonville Indiana	1980	798/798
Barge, Covered Hopper	ACBL 3229	606614	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3230	606615	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3231	606616	Jeffersonville Indiana	1979	986/986
Barge, Covered Hopper	ACBL 3233	606618	Jeffersonville Indiana	1979	986/986

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Barge, Covered Hopper	ACBL 3234	606619	Jeffersonville Indiana	1979	986/986
Barge, Open Hopper	ACBL 1870	609317	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1872	609319	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1873	609320	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1874	609321	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1875	609322	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1876	609323	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1877	609324	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1878	609325	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1879	609326	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1880	609327	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1881	609328	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1882	609329	Jeffersonville Indiana	1979	729/729
Barge, Open Hopper	ACBL 1883	609330	Jeffersonville Indiana	1979	729/729

<u>Type</u>	<u>Name</u>	<u>Official No.</u>	<u>Place Built</u>	<u>Year Built</u>	<u>Approximate Tonnage Gross/Net</u>
Large, Open Hopper	ACBL 1884	609331	Jeffersonville Indiana	1979	729/729
Lowboat	R. W. Greene	619977	Jeffersonville Indiana	1980	947/643
Lowboat	Bill Carneal	610971	Jeffersonville Indiana	1979	947/643

DOCUMENT 17

Form of Consent to Assignment of Charter

EXHIBIT B
to
Bareboat Charter

CONSENT TO ASSIGNMENT OF CHARTER

THIS CONSENT TO ASSIGNMENT OF CHARTER dated July 31, 1980 by COMMERCIAL BARGE LINE COMPANY a Delaware corporation (the "Charterer") is given to AMERICAN COMMERCIAL LINES, INC. a Delaware corporation (the "Shipowner") and the UNITED STATES OF AMERICA represented by the Secretary of Commerce acting by and through the Assistant Secretary of Commerce for Maritime Affairs (the "Secretary") the purpose of which is to allow and acknowledge the assignment of the Charter dated July 31, 1980, by virtue of the Security Agreement dated the date hereof between the Shipowner and the Secretary (the "Security Agreement") but as security only as set forth in the Granting Clause of the Security Agreement. True copies of the Security Agreement have been delivered to the Charterer.

In consideration of the premises and the covenants herein contained, and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. The Charterer hereby acknowledges receipt of notice of, and hereby consents to, the assignment of the Charter by virtue of the Security Agreement.

2. The Charterer hereby acknowledges and agrees that:

(a) The Charterer will remain liable to perform its duties and obligations under the Charter as provided therein;

(b) The Secretary shall, by reason of the Security Agreement, have no obligations or liabilities with respect to the Charter;

(c) Except during any period after which the Charterer shall have received written notice from the Secretary as to the existence of a Security Default or Payment Default under the Security Agreement, and until the Secretary shall have notified such parties in writing that such Default under the Security Agreement has been cured or waived, the Shipowner is entitled pursuant to the terms of the Security Agreement to exercise all of its rights with respect to the Charter and to receive all the benefits thereunder to the same extent as if the Charter had not been in any way so assigned. Prior to the receipt of a notice as to the existence of a Security Default or Payment Default under the Security Agreement and after receipt of a notice as to the cure or waiver of such Default, the Charterer is entitled to perform (and shall not be liable in any respect to the Secretary if it performs) all of its duties and obligations with respect to the Charter in the same manner as if the Charter had not been in any way so assigned; and

(d) The Charterer shall make all payments due or to become due under the Charter to the Shipowner, *provided, however*, that from and after notice from the Secretary the Charterer shall pay all such monies to the Secretary or his designee to be applied as follows:

(1) For so long as no Payment Default or Security Default has occurred and is continuing:

(a) Basic Hire shall be applied:

First, so much thereof as shall be required to pay in full the accrued interest and aggregate principal amount (and premium, if any) of all Obligations then due shall be

paid to the Indenture Trustee or as the Indenture Trustee shall otherwise instruct the Secretary or his designee;

Second, so much thereof as shall be required to pay and reimburse the Secretary or his designee for all fees and expenses incurred and administering payment of the aforementioned funds.

Third, so much thereof as shall be required to pay and reimburse the Indenture Trustee and the Depository for all fees, expenses and disbursements then due and payable pursuant to Section 7.04 of the Indenture and Section 7 of the Depository Agreement, respectively, to the extent not previously paid or reimbursed shall be distributed to the Indenture Trustee and the Depository, and

Fourth, the balance remaining, if any, shall be paid to the Shipowner or otherwise as the Shipowner may direct.

(b) All moneys due under the Charter other than Basic Hire shall be applied

First, so much thereof as shall be required to pay in full the accrued interest and aggregate principal amount (and premium, if any) on all Obligations then due shall be paid to the Indenture Trustee or as the Indenture Trustee shall otherwise instruct the Secretary or his designee;

Second, so much thereof as shall be required to pay and reimburse the Secretary or his designee for all fees, expenses and disbursements due with respect to the administration of the aforementioned monies;

Third, so much thereof as shall be required to pay and reimburse the Indenture Trustee and the Depository for all fees, expenses and disbursements then due and payable, pursuant to Section 7.04 of the Indenture and Section 7 of the Depository Agreement, respectively, to the extent not previously paid or reimbursed, shall be distributed to the Indenture Trustee and the Depository; and

Fourth, the balance remaining, if any, shall be paid to the Shipowner or as the Shipowner may direct;

provided, however, that all moneys other than Basic Hire required to be paid to the Secretary or his designee and which are intended to be used for a particular purpose, other than those provided above, shall be distributed by the Secretary or his designee for such purposes, so long as no Payment Default or Security Default has occurred and is continuing; and

(ii) If a Payment Default or a Security Default shall have occurred and be continuing, thereafter, until such Default shall be cured and the Secretary shall have given written notice to the Charterer that such Default has been cured, all funds received by the Secretary or his designee shall be withdrawn by the Secretary or his designee and disbursed by said persons in accordance with paragraph (1)(a) above (except that the provisions of the proviso at the end of paragraph (i) above shall not be applicable).

3. The Charterer agrees that any payment made by it to the Secretary in accordance with the Charter shall be final and that it will not seek to recover from the Secretary by reason of any claim against the Shipowner any moneys paid by it to the Secretary by virtue of the Security Agreement and this Consent to Assignment of Charter, except as in the Charter otherwise expressly provided

4 This Consent to Assignment of Charter shall be governed by and construed in accordance with federal law and, to the extent federal law does not apply, with the laws of the State of New York.

5 The Charterer agrees to execute and deliver upon written request of the Secretary any and all such other additional instruments and documents as the Secretary may deem desirable for the purpose of obtaining the full benefits of the Security Agreement and of the rights and powers therein granted

6 The capitalized terms used herein and not otherwise defined herein shall have the meaning specified in Schedule X attached to the Security Agreement as said Schedule X may be amended from time to time

IN WITNESS WHEREOF the parties hereto have executed this Consent to Assignment of Charter on the day and year first above written

AMERICAN COMMERCIAL LINES, INC.

By

COMMERCIAL BARGE LINE COMPANY

By